Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.65	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 6.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rin 4.25	Taiwan	NT $35
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.500
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,524 — Tuesday January 15 1985 — D 8523 B

Dilemma of EEC presidency for Italy, Page 2

World news — Business summary

Israel agrees Lebanon withdrawal

Israel's Cabinet supported Premier Shimon Peres in agreeing a unilateral withdrawal of forces from southern Lebanon "within a few weeks."

The operation will be in three phases over nine months, irrespective of whether Lebanon agrees on security arrangements for the areas to be evacuated.

Israel is serving a clear warning to Lebanon that in the absence of a bilateral agreement it is prepared to leave a vacuum and let areas of the south become a battlefield between various Lebanese factions. Page 20

Colonel accused

Security police Colonel Adam Pietruszka, who denies instigating the murder of Father Jerzy Popieluszko, was accused at his trial of lying by one of the cleric's accused killers. Page 2

Missiles for Kuwait

Kuwait added new Soviet surface-to-air missiles to its air defences, including weapons similiar to anti-aircraft Stingers, which the U.S. has refused to supply. Page 4

Couple get child

A London judge awarded custody of Britain's first commercial baby to a couple who paid a surrogate mother £6,500 ($7,200) to bear it.

Beirut killings

Gunmen shot dead two French ceasefire observers in Beirut's southern suburbs. Page 4

Space TV launch

France confirmed July next year as the launch date for its direct television broadcasting satellite TDF-1, paving the way for Europe's first operating space TV network. Page 2

Kyprianou appeals

Cypriot President Spyros Kyprianou has asked Britain to persuade Turkish Cypriot leader Raouf Denktash to give up a demand that Turkey be a guarantor of any Cyprus settlement.

400 die in crash

More than 400 passengers were killed and 520 injured when a crowded train plunged into a deep ravine on a railway line linking Ethiopia and Djibouti.

Sharon suit apology

Time magazine printed a correction to part of its story that provoked a $50m libel suit by former Israeli defence minister Ariel Sharon. The correction came as the jury prepared to deliberate on a verdict in the two-month-long case. Page 4

Summit postponed

This week's scheduled Warsaw Pact summit in Bulgaria at which Soviet allies were to have been briefed on Moscow's talks with the U.S. has been postponed indefinitely. Page 20

Hersant TV move

Robert Hersant, the French right-wing press baron, announced on the front page of his national daily Le Figaro that he was moving his group into television broadcasting. Page 2

'New' UK pit union

Senior officials of Britain's National Coal Board believe that the working Nottinghamshire miners will form the core of a new national union that might attract half the 189,000 members of the National Union of Mineworkers. Page 11

Polisario attack

Polisario guerrillas claim to have shot down three Moroccan aircraft, killing the pilots, in renewed fighting in the Western Sahara. Page 4

Big U.S. bank cuts prime by ¼ point

MANUFACTURERS HANOVER, the fourth largest U.S. banking group, yesterday cut its prime lending rate by a quarter of a percentage point to 10.5 per cent, the lowest level for the benchmark corporate lending rate since early 1983.

DOLLAR was firm in London, rising to DM 3.1935 (DM 3.16), SwFr 2.676 (SwFr 2.643), Y255.45 (Y253.75) and a record level of FFr 9.775 (FFr 9.6675). On Bank of England figures, the dollar's exchange index rose to a high of 146.7 from 145.6. In New York it closed at DM 3.1965, SwFr 2.6845, FFr 9.7825 and Y255.35. Page 43

STERLING lost 1.35 cents against the dollar in London to a record low of $1.111. It was slightly firmer at DM 3.55 (DM 3.5475), was unchanged at FFr 10.845 and SwFr 2.97 and eased to Y283.75 (Y285.5). Tha pound's exchange index fell to a record closing low of 70.8 from 71.3. In New York it closed at $1.113. Page 42

GOLD fell $2 on the London bullion market to $302.00. It was also lower in Zurich at $299.50. Page 42

WALL STREET: The Dow Jones industrial average closed 16.45 up at 1,234.54. Section III

LONDON share values fell sharply. The FT Ordinary share index fell 19 to 949.3. Gilt prices were marked down heavily. Section III

TOKYO: Trading was quiet but firm with the Nikkei-Dow market average up 11.67 at 11,823.91. Section III

EEC AGRICULTURE officials are looking at draft farm price proposals for the 1985-86 marketing year that would cut cereals prices by 3.1 per cent and increase those for milk by 2 per cent. Page 42

JAPAN'S CAR exports to the U.S. rose in value by nearly 24 per cent last year in spite of restraints on trade volume. Page 3

JAPAN registered a record trade surplus with the rest of the world last year of $33.68bn, a 64 per cent increase over 1983. Page 3

BOUYGUES, the French construction group, is to pay FFr 160m ($16.55m) for control of certain assets of Amrep, the oil services company that filed for bankruptcy last year. Page 23

IRI, the Italian state industrial holding company, received L138bn ($71m), mostly in the form of Treasury bonds sequestered last year during a scandal investigation. Page 23

NCR, the U.S. business systems group, lifted net profit by $9.5m to $123.9m in the fourth quarter, thus raising full-year figures to $342.6m or $3.30 a share.

INTEL CORPORATION, the U.S. semiconductor maker, reduced fourth-quarter earnings from $47.1m last year to $23.2m. Page 23

DEAK-PEREIRA, the ailing U.S. gold and foreign exchange trader, is to sell its Swiss unit, Foreign Commerce Bank. Page 23

FIRST CHICAGO bank reported a 16 per cent rise in fourth-quarter income to $55.5m, after a surprise $72m loss in its third quarter. Page 21

SWEDISH MATCH, the leading matches manufacturer, has named Mr Hans Larsson chief executive. Page 23

ARNOTTS, which has about 75 per cent of Australia's biscuit market, is thought to be the main buyer of Allied Mills shares as a countermeasure to the partial takeover bid for Allied by IEL, an investment group. Page 22

NESTLÉ HOLDINGS, the U.S. unit of the Swiss food group, took up an option to buy Hills Brothers Coffee of the U.S. Page 23

NIKE, the U.S. sports shoe and clothing manufacturer, made its first quarterly loss since going public in 1980. Page 21

Sterling falls again despite 1-point jump in interest rates

UK acts to steady £

BY MAX WILKINSON, PHILIP STEPHENS AND PETER RIDDELL IN LONDON

THE BRITISH Government moved decisively yesterday to push up UK interest rates by a further 1½ percentage points in an attempt to brake sterling's slide on the foreign exchange markets.

The Government reactivated its minimum lending rate (MLR), which had been suspended since 1981, and set it at 12 per cent. British commercial banks quickly fell in with that move to override the money markets' interest-rate structure and raised their base lending rates by 1½ points to 12 per cent. The banks had raised their rates by ¾ or 1 point only last Friday.

Higher interest rates provided only a brief respite for sterling, however, as a surge in the value of the dollar and renewed fears over oil prices pushed it to another record low.

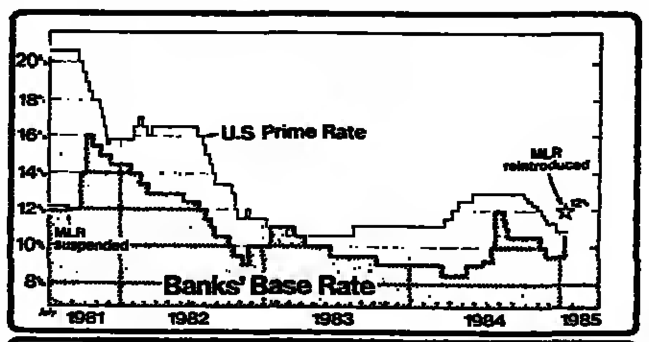
The pound closed in London at a record low of $1.1110, 1.35 cents down from Friday, while the sterling index was down 0.5 points to a lowest-ever 70.8.

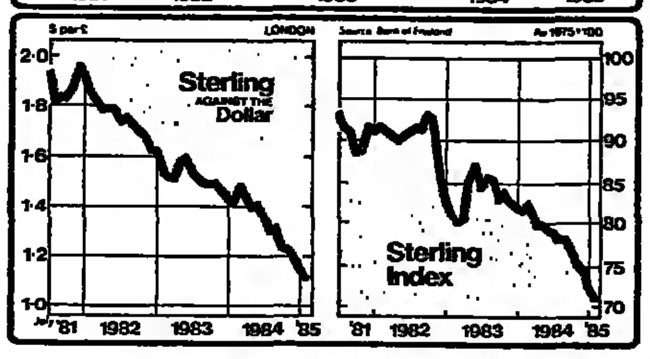
Share prices fell sharply on the London Stock Exchange with the FT Ordinary index closing 19 down at 949.3. Prices for short-dated government securities lost up to 2½ points.

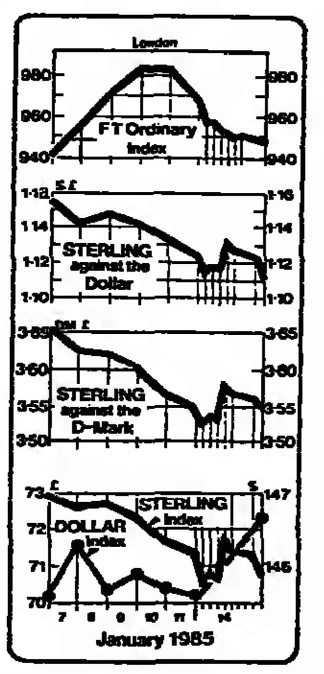
The Bank of England's reintroduction of MLR initially brought a strong recovery for sterling after the UK currency had slumped in early European trading.

Within an hour of the official announcement, the sterling index had climbed by a point and the pound had risen by more than a cent as foreign exchange dealers reacted to what was seen as resolute action to defend sterling.

The markets' confidence that the move had succeeded in taking the pressure off sterling was quickly dented, however, by a sharp rise in the value of the dollar, which swept to record levels against many European currencies.







The pound was also affected by reports that Norway plans to link its oil prices to spot market levels, which was seen on foreign exchange markets as putting further pressure on UK North Sea oil prices.

The dollar continued to surge ahead in early New York trading, ploughing through the DM 3.18 level and sending sterling plunging below $1.11 amid a wave of selling of the pound led by traders in Chicago.

The rise in British base rates to 12 per cent, back at the peak reached in July 1984 after the last crisis of confidence in sterling, is almost certain to trigger a rise in mortgage rates for home loans. The UK's leading building societies are likely to raise their mortgage rates on Friday by 1½ points to 13 per cent.

Britain's Conservative Government had been anxious to avoid a steep rise in interest rates, fearing that it would slow growth and injure the prospects for increasing employment.

A rise in the mortgage rate will, moreover, give a temporary boost to the inflation figures, at a time when the Government is worried about the continued rapid increase in earnings and the prospects for the current wage round.

However, Mr Nigel Lawson, Chancellor of the Exchequer, made clear yesterday that the rise in interest rates showed the Government's continued determination to fight inflation as its first priority.

The most immediate threat to its anti-inflation strategy was the steady fall in sterling, which has recently shown signs of accelerating. That is already being reflected in higher prices for raw materials in sterling terms. Official figures yesterday showed that raw materials prices have recently been rising at an annual rate of about 9 per cent. Recent falls in sterling against the dollar and other currencies are likely to be reflected in further price rises this year.

The Treasury was also trying to counter market views that it had started to pursue a more lax fiscal and monetary policy, with the emphasis shifting from inflation to jobs within the general guidelines of its policy.

Mr Lawson yesterday told the House of Commons that the recent rise in the dollar against all currencies and the uncertainty over oil prices had coincided with those doubts about the Government's resolve.

There had also been continuing pleas for higher government borrowing and increased expenditure. Mr Lawson told a noisy House of Commons: "The Government's decision today demonstrates that those siren voices cannot be listened to if inflation is to be brought under control."

He also said it would be "unwise to assume" that he would still have room in his budget in March to cut taxes by £1½bn ($1.67bn), the figure suggested in his autumn economic statement last November.

The rise in interest rates was finally agreed at a half-hour meeting yesterday morning between Mr Lawson and Mrs Margaret Thatcher, the Prime Minister, after discussions on Sunday with Treasury and Bank of England officials.

Privately, several Conservative

Continued on Page 20

Editorial comment, Page 18; Economic Viewpoint, Page 18; Lex, Page 20; Stock and money market reports, Section III; A hectic day's trade, Page 11

Oslo set to agree spot pricing for oil

BY IAN HARGREAVES AND DOMINIC LAWSON IN LONDON

NORWAY is on the point of agreeing spot-market-related prices for its December and January oil sales, which might leave Britain alone in the North Sea in attempting to delay pricing decisions until after ministers of the Organisation of Petroleum Exporting Countries (Opec) meet on January 28.

A Reuters report that Statoil, the Norwegian state oil company, had decided on spot-related prices had a big impact on sterling yesterday, but Statoil denied that it had taken any decision.

Meanwhile spot prices for North Sea oil continued the rising trend of the past week, pushed mainly by cold weather. Brent for February delivery was traded at $27 a barrel, up about 20 cents on the day. In one transaction, Arabian Light, Opec's reference crude, was sold at $28.60 compared with its official selling rate of $29. The New York market opened firmer.

Statoil is expected to complete negotiations with its customers on its December and January prices in the next week, but definitely before the Opec meeting.

The company does not intend to disclose the outcome of the negotiations, but the average price of the company's crude is expected to be around $28 a barrel for December deals and around $27.25 a barrel for January deals. Norwegian prices are, for technical reasons, slightly higher than those for UK North Sea crudes. The December price would represent a cut of around 75 cents a barrel on November levels, when Statoil was still operating a monthly official price system.

Norway's decision not to fix official prices for December and January, but to rely on negotiations with individual oil companies based on spot market prices, mirrors a similar move by the British National Oil Corporation (BNOC).

BNOC, however, having agreed spot-related prices with its customers for January deals, has been told by the UK Government to delay agreeing the price it will pay to suppliers.

That move is designed to avoid annoying Opec, which believes the switch to spot-related prices in the North Sea is a factor undermining world oil prices. The UK Government also hopes that the combination of cold weather and tighter controls of Opec production agreed over Christmas will help oil prices to recover before BNOC makes its move.

Indications from leading oil companies suggest that Opec production is now running at between 15.5m and 16m barrels a day (b/d) against an intended production ceiling of 16m b/d. Saudi production is thought to have been cut to 3.5m b/d, partly in response to sharply reduced January liftings by the members of the Aramco partnership.

Continued on Page 20

Indonesia fights for freedom from oil, Page 4

Delors suggests reserve function for Ecu

By Paul Cheeseright in Brussels

THE EUROPEAN Community should promote its currency, the official Ecu, to share the global burden of monetary management with the U.S., M Jacques Delors, the new president of the European Commission, suggested yesterday.

In his inaugural speech to the European Parliament laying down the thrust of Commission policy over the next four years, he also envisaged the elimination of all barriers to the movement of people and goods within the community by 1992.

The main aim of his speech was to suggest means by which the EEC, "which is no longer capable of taking decisions," could regain credibility.

He promised decisive steps in three directions:

- A large open market and greater co-operation between European companies;
- The strengthening of the European Monetary System;
- The convergence of economies to spur higher growth and more jobs.

It was within the context of strengthening monetary co-operation and a controlled extension of the role of the private and official Ecu that M Delors, former French Finance Minister, produced his suggestion about the Ecu's possibilities as a reserve currency.

The reasoning behind his suggestion was that the burden placed on the dollar is too great: a Community currency would enable central banks to diversify their reserves.

He asked the parliament if the community would not then be in a stronger position "to ask Japan to take its share of the load and persuade the U.S. to introduce the internal discipline which would make for relative stability on foreign exchanges."

EEC central bankers have been discussing plans put up by a group of commercial banks for an Ecu clearing system. Supporting all such moves to expand the use of the Ecu, the new president also called for steps to protect it from unfair speculation. Anxious, however, to present himself as a realist, M Delors avoided Messianic calls and specifically ruled out the possibility of a common currency in use throughout the Community during the four-year term of his Commission.

The possibility of eliminating frontiers in eight years was M Delors's most dramatic expression of a pledge to work for greater freedom, both for individuals and for the internal market.

Italy's EEC presidency, Page 2

Working week is shrinking, union research body says

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE STANDARD working week, backbone of commerce and industry since the industrial revolution, is in retreat.

Most advanced industrial countries operate a working week shorter than 40 hours. It will continue to shrink, but more important, working hours will be organised in different ways than simply in five or four-day weekly segments.

The International Labour Organisations (ILO) World Labour Report, to be published later this month, will illustrate the continuing reduction in working time in industrialised countries, contrasting it with the relatively long hours worked in the developing countries and some East European states.

It will also show that new patterns of work are emerging which are likely to become permanent features of working life. These include: averaging hours over long periods, annualising hours, flexible rostering, a variable weekly rest day, individual work schedules, staggered hours, a compressed week and other flexible and part-time working.

A senior ILO officer said in Geneva: "I do see a progressive weakening of the standard working week over the next few years, with longer days, shorter weeks and a much greater push by employers for more flexible working time in all the advanced countries."

The report shows that in the largest Western European countries the standard working week (without overtime) is less than 40 hours – even where, as in West Germany, Italy and the Netherlands, the legal standard week is 48 hours.

In the U.S., Canada and Australia, most manual workers still have a 40-hour week, but white-collar workers, as in Western Europe, are dropping towards 35 hours.

In Japan, where the working week is legally limited to 48 hours, the reality varies between under 40 hours in larger companies, about 42 hours in medium-sized companies and about 45 hours in small companies – an index of the favoured position that the bigger companies possess in the Japanese economy.

In Eastern Europe the standard working week tends to be longer than in the West – ranging from 41 hours in the Soviet Union to 46 hours in Romania.

Switzerland still works longer hours than most of its West European neighbours, with a 43 to 44-hour week common in most sectors. There are signs, however, of a gradual reduction.

The report says that, on 1981 figures, Japan is the only OECD country in which workers work more than 2,000 hours a year. In Canada and Finland, the working year is between 1,750 and 2,000 hours. In the U.S., West Germany, France, Italy and the Netherlands it varies between 1,500 and 1,750 hours; while in the UK, Belgium and Norway, it is less than 1,500 hours.

All the OECD countries, however, compare favourably with the bulk of developing countries. While the standard working week is often set at 48 hours, and while some sections of the workforce work for fewer hours, the report points out that large numbers of the workers – in agriculture, in small industrial workshops, in retail trades and services – work far longer.

CONTENTS

RIGHT-WING HERSANT GROUP ENTERS THE FRAY

French private TV battle hots up

BY PAUL BETTS IN PARIS

M ROBERT HERSANT, the controversial and powerful French right-wing press baron, announced yesterday on the front page of his national daily Le Figaro that he was launching his group into the emerging private television business.

The Hersant group is thus the latest of a series of large French press and communications concerns to have decided to move into television broadcasting. Its announcement, however, is expected to fuel the already heated debate on the liberalisation of broadcasting.

M Laurent Fabius, the Socialist Prime Minister, yesterday appointed an official to draw up proposals in the next three months on the opening up of the state television broadcasting monopoly to private stations.

President Francois Mitterrand is also due to refer to this issue during his television appearance tomorrow. During the New Year holidays, the President suggested in rather ambiguous terms that he favoured the development of private television stations.

But the Socialists are clearly reluctant to see their current control of television undermined by private networks, especially as the legislative elections of 1986 and the presidential election of 1988 near.

The arrival of M Hersant in this field, while expected, is unlikely to cause great joy in the Government. His newspapers have waged a constant campaign against the Left, although Le Figaro has of late toned down considerably its anti-Government zeal.

M Hersant also saw himself as the principal target of the Government's attempt to introduce legislation last year to break up large concentrations of newspapers and magazines under a single proprietor.

His latest ambitious project involves a national private television chain called TVE (Teleurop) which will also have broader European appeal. He hopes to start broadcasts next year.

The Government, after some initial statements suggesting the day of French private television was now near, has been adopting a more cautious approach in recent days. M Jack Lang, the Culture Minister, has warned that regulations would be necessary to avoid an anarchic situation developing as it had done in Italy where private networks have grown unchecked.

M Georges Fillioud, the Communications Minister, has suggested that private stations be grouped eventually in two network systems.

The three national television channels have also been increasingly worried by the proposed liberalisation of broadcasting and have been lobbying hard to protect their interests.

The new Canal Plus French pay television channel, indirectly controlled by the Government, is also clearly concerned by the arrival of additional competition from private channels.

FRANCE has confirmed a July 1986 launch date for its direct television broadcasting satellite TDF-1, paving the way for Europe's first operating space TV network.

This follows the ironing out of technical problems with delicate amplifying equipment on board the spacecraft, and comes shortly after the government decision to go ahead with a second TV satellite, TDF-2, planned for launching in February 1988.

Telediffusion de France, the satellite broadcasting organisation, and the national space agency CNES said problems with the travelling wave tubes on the satellite, used to amplify signals to a power of 230 watts, had been resolved.

The four-channel satellite will broadcast programmes to France and West Germany using the D2-MAC standard enabling transmission to both PAL and Secam TV sets.

French state coal group nears break-even

BY DAVID HOUSEGO IN PARIS

A SIGNIFICANT improvement in productivity in French coal mines last year enabled Charbonnages de France, the state owned coal group, to wipe out most of its losses.

The group, which announced early last year that it anticipated a deficit of FFr 360m (£32.7m) for 1984, confirmed yesterday that it had almost broken even. The faster-than-expected return to financial equilibrium excludes, however, the subsidy of FFr 8.5bn a year in real terms adjusted for inflation that Charbonnages obtains from the state under the five year rationalisation plan made public in March.

The improvements in productivity stem from a decline in the workforce last year, lower rates of absenteeism and a higher yield. The result was that French coal production, though falling 1.8 per cent last year to 18.2m tonnes, was none the less 1m tonnes higher than had been forecast at the beginning of the year.

Charbonnages had expected its output to drop to 17.2m tonnes this year. The higher than-anticipated level of production helped boost revenues and then eliminate most of its losses.

During the year the workforce was slimmed from 55,918 to 51,500 in line with Charbonnages' plan for the 1984-88 period. This provides that the workforce will be cut by a third and production of French coal—more costly to mine than that of Britain and West Germany and of lower quality—will fall to 10-13m tonnes a year.

Since the plan was announced in March it has met with remarkably little resistance from the unions. The plan reflects the long term decline in France of coal's contribution to energy supplies as the importance of oil and nuclear power increases.

From employing 300,000 people to produce 50m tonnes a year and 90 per cent of France's energy requirements after the war, the coal industry will shrink by the end of the decade to a workforce of 25,000 people accounting for 7 per cent of France's energy needs.

Productivity increased last year by 4.5 per cent to an average output per miner of 3,548 kg.

Catalonia decides time is ripe for a national political role

BY TOM BURNS IN MADRID

THE NATIONALIST politicians of Catalonia, sophisticated and moderate-minded men who usually tend to ignore Madrid, have pitched themselves into the bruising battle of Spanish politics. They have decided to drive a third-force wedge between the governing Socialists and the conservative opposition.

The governing Catalan party, Convergencia Democratica de Catalunya (CDC), approved at its congress over the weekend a political document that marks a milestone in the traditional wary relationship between Barcelona and the north-eastern provinces and Madrid and the rest of Spain. The keynote was involvement in what happens beyond the Catalan confines.

Sr Ramon Trias Fargas, the chairman who is seen by Madrid as an inflexible nationalist who appears irritated by the Spanish context, made the uncharacteristic public remark that Catalonia "has to reorientate Spanish politics."

With a consensus among Spain's political pundits that a general election is scarcely more than a year away (it is due in any case in the autumn of 1986 at the latest), Sr Trias's statement carried appropriate weight.

The document adopted unanimously by CDC's 1,300 congress delegates in Barcelona said that Catalonia was now able to make "important contributions to the political, economic and cultural thinking of Spain, contributions which are

Sr Suarez: Catalans urged to join forces with him

probably not only convenient but necessary."

For a party that had been concerned with things Catalan to the virtual exclusion of all others, the congress was an about-turn. It gave the green light for specific backing to the as yet electorally untested Partido Reformista Democratico (PRD), a liberal orientated grouping with ambitions to capture the centre ground.

The unchallenged leader of CDC is Sr Jordi Pujol, who is also the president or chief minister of the Generalitat, the Catalan autonomous government. In his concluding speech to the delegates, he said that it was "now more urgent than ever" to forge a political presence at a national level that would confront both the "retrograde ideology" of Alianza Popular (the conservative opposition) and also the Socialists whom he castigated for being obsessed with centralist, planned economy models and tainted by Third World mentalities.

Along with Sr Trias and Sr Pujol, the third hero of the congress was Sr Miguel Roca, the Catalan nationalist spokesman in the Madrid Parliament who has been singled out to head the PRD and thus casts himself in the role as a potential candidate for Prime Minister.

The decision by the Catalan nationalists to embrace Spain from their Barcelona stronghold is, however, fraught with difficulties. The PRD has a clear rival in the small Centro Democratico Social (CDS), headed by Sr Adolfo Suarez, the charismatic former Prime Minister.

It is also questionable whether there is a centre space at all. Spain's electoral system penalises potential third force minority parties and favours the first past the post. Both the Socialist Government and the Conservative opposition are determined to nurse the middle-of-the-road voter.

In a long political statement published at the week-end five former Ministers who served in the Cabinets of Sr Suarez as members of the now defunct Union de Centro Democratico called on Sr Roca to join forces with their former boss and urged Sr Suarez to cease his determination to go it alone.

Irish spell out new oil tax regime

By Brendan Keenan in Dublin

THE IRISH Government has announced a more detailed tax regime for offshore oil exploration in an effort to maintain international interest in Irish waters. The proposals contain more generous capital allowances on development costs and extend the time limit on write offs of exploration costs.

Concern has been expressed that changes in the UK tax regime, in particular, have made Ireland less attractive to exploration companies. The deadline for applications for the Irish third licensing round has been extended from February to June, partly in the hope of attracting more companies.

Mr Alan Dukes, the Irish Finance Minister, said yesterday that he believed the new proposals made Ireland's tax provision for petroleum production attractive when compared with other countries. He said Ireland had a single corporation profits tax of 50 per cent and no special taxes such as the Petroleum Royalty Tax applicable in the UK and other oil-producing nations.

The proposals do not deal with the question on government participation in a discovery, which has been one of the main concerns expressed by oil companies. The Government has the right to take up to 50 per cent of the equity in a producing field and to oblige the companies to carry the full cost of development.

The uncertainty surrounding this provision has been criticised, particularly by Atlantic Resources, the Irish company

Lisbon aims for modest economic growth

By Diana Smith in Lisbon

MODEST economic growth with carefully-supervised rises in public spending and imports after 18 months of fierce austerity are the keynotes of the draft 1985 budget and economic plan presented to the Portuguese Parliament by the coalition Government of Sr Mario Soares.

Having reduced spending and imports in 1983-84 so as to lower the current accounts deficit from its 1982 peak of \$3.2bn (£2.9bn) to just under \$700m at the end of 1984, the coalition can now afford cautious leeway.

Real economic growth of 3 per cent is forecast for 1985 after negative growth of 1.6 per cent last year.

The 1984 deficit was \$500m less than the target agreed with the International Monetary Fund. For 1985, a current account deficit of \$1bn is forecast, taking effects of modest growth into account.

Imports, which decreased by 5 per cent to \$8.4bn in 1984, should grow by 8 per cent this year. Exports, which enjoyed record growth of 11.9 per cent to \$6.9bn last year, are expected to increase by 7.5 per cent in 1985.

Although the spectacular drop in the balance of payments has encouraged the authorities, continued swelling of the budget deficit, largely due to soaring costs of servicing the accumulated public debt, gives them cause for concern.

In 1985, the forecast budget deficit is Esc 335.6bn (£1.9bn) —30 per cent higher than the revised deficit for 1984 when annual inflation was 23 per cent.

According to the authorities, 91 per cent of the rise in the budget deficit is attributed to growth of interest on the accumulated public debt (domestic and foreign). In 1985, interest on this debt grows 40 per cent to Esc 273bn—a sum equivalent to 55 per cent of 1985 revenue and 33.7 per cent of outlays.

Total public debt rose from Esc 938bn at the end of 1982 to Esc 1.5 trillion (million million) in October 1984.

The authorities forecast net new foreign borrowing of \$600m in 1985 to help Portugal's financing needs. It is understood that preliminary meetings with traditional lenders should start at the beginning of February with a view to organising this year's major Republic of Portugal loan.

Bearing in mind that local government and Presidential elections are due towards the end of the year, it is not surprising that the 1985 budget contains higher spending on health and social security services and higher allowances for income and complementary tax.

The introduction of value added tax in July this year will bring radical alterations to Portugal's complex and fragmented tax system.

More controversial, in the view of those who demand drastic reductions in the heavily-losing public sector, is the planned 1985 increase to Esc 76.1bn in public sector investment — Esc 10bn more than 1984 investment. But the public sector has a powerful effect on the economy, and many small and medium Portuguese companies have been driven to the wall since austerity and recession bit public spending.

Long-awaited restructure of the public sector may be still further delayed in this election year. Ministers are still arguing in Cabinet over which units or departments should be reduced or shut down.

Surpluses forecast for 10 EEC agricultural products

BY IVO DAWNAY IN BRUSSELS

FARM SURPLUSES in the European Community are set to grow substantially on present trends up until the year 1990, according to the latest EEC report on the common agricultural policy.

Of the 12 principal farm products grown in the Community, demand will outstrip supply for only two—tobacco and sheep meat—by the end of the decade. This compares with eight products 10 years ago.

Despite the introduction of the "superlevy" last year, surpluses of dairy products are expected to remain high, with milk output exceeding consumption by 11m tonnes. The cereals surplus is forecast at 33m tonnes a year, wine at 3bn litres, sugar at 1.5m tonnes and beef at 200,000 tonnes.

The figures come in an analysis prepared for the EEC's 1984 annual report on the agricultural situation in the Community. This suggests that trends in the Community and world markets will present EEC producers with continuing disequilibrium.

In its conclusion the report argues that continued reform of the CAP will be essential to ensure the participation of the Community in the world market in an increasingly competitive basis and at lower cost.

The report also points up the rising trend in CAP expenditure as a proportion of the total EEC budget. Based on figures compiled in September, the study shows CAP funding up from a low point of 6 per cent of total expenditure in 1983 to an estimated 72 per cent this year.

This, too, may be an underestimate. While 1984 farm funding was originally budgeted at Ecu 18.5 (£9.9bn), the outturn when supplementary funding is added may be up to Ecu 18.3bn. Some observers believe the total could breach Ecu 20bn next year.

According to the report, the significant fall in farm incomes recorded in 1983 was reversed last year, with earnings showing a small but perceptible increase averaged across the Ten. However, the average 3 per cent rise in farmers' 1984 incomes reported last month by the Commission hides a wide disparity of results ranging from a 20 per cent increase in Denmark to a 7 per cent fall in Belgium.

Incomes received a substantial boost from the record grain crop achieved through extremely favourable climatic conditions.

The main thrust of the 1984 review concentrates on the progress towards reform of the CAP first launched in earnest at the price-fixing negotiations conducted last March. These introduced the outlines of the "*super-levy*" on excess milk output and established the important principle that open-ended guarantees can no longer be made for products in surplus.

Farm industry observers are awaiting with interest the Commission's proposals for prices in the coming 1985-86 marketing year, due to be announced shortly.

Belgrade urged to change policy on foreign exchange

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN LONDON

A LEADING Yugoslav economist has proposed greater incentives for depositors of foreign exchange in Yugoslav banks, in order to increase the convertible currency inflow from workers abroad and to counter fresh fears that the financially-strapped Government might take over foreign exchange savings.

Recurrent Yugoslav worries about the safety of much-prized foreign exchange deposits surfaced in official form last week in an Interior Ministry report to Parliament, claiming that "hostile propaganda" abroad was urging Yugoslavs to withdraw foreign exchange to avoid "nationalisation."

A minority in the Government is known to favour forcible conversion of foreign exchange holdings into dinars, as a boost to the country's depleted reserves.

Meanwhile, talks begun last week in London between Yugoslavia and its Western commercial bank creditors continued into this week. Under negotiation is the rescheduling of Yugoslavia's 1985-88 commercial bank debt of around \$3.5bn. A conclusion is expected by mid-week.

Professor Alexander Bajt, a prominent economist from Slovenia, the Yugoslav republic which is the most successful foreign exchange earner, has suggested that the Government should immediately reverse its decision from the start of this year to pay foreign exchange depositors interest in dinars.

He also advocates higher interest rates, differentiated by currency, to attract money from alternative havens. Some Yugoslav residents, for instance, have been illegally placing convertible currency in Hungary which pays 13 per cent on one-year time deposits, or 4 per cent above the current Yugoslav rate.

Another restriction which Prof Bajt believes should be removed is the \$250 limit on cash withdrawals by Yugoslavs from their foreign exchange accounts.

Yugoslavia's external finances, in bad shape though they are, depend heavily on remittances from Yugoslavs working abroad.

Rail link signals thaw

BY ALEKSANDAR LEBL

TALKS in Tirana last week between the Albanian and Yugoslav transport ministers about future transport and communications co-operation appear to signal a slight thaw in relations between the two Balkan neighbours.

The occasion was Albania's invitation of a Yugoslav delegation to the opening of its rail link to the Yugoslav border, built under an agreement between the two governments which would connect isolated Albania with the European rail network.

On a higher political level, Mr Stane Dolanc, a member of the Yugoslav presidency, last month declared that Belgrade was ready to reciprocate the willingness to improve relations which Mr Ramiz Alilja, the Albanian head of state, had shown in a speech a month earlier.

Italy tries to put its stamp on Community

By James Buxton in Rome

"IF WE DON'T achieve anything, Italians will accuse us of being bad Europeans. If we do achieve something, we'll be accused of betraying Italy's interests. That's our problem as President of the EEC."

The speaker is Sig Francesco Forte, Italy's Minister for European Affairs and a close associate of Sig Bettino Craxi, the Socialist Prime Minister. He sees Italy's six months as President of the EEC Council of Ministers as a chance to push forward some of his own fairly advanced ideas on furthering European unity.

Most countries set out with high ambitions when they take over the presidency, only to be disappointed. For Italy, the magnitude of the Community's immediate problems — the need to draft a new budget to replace the one rejected by the Strasbourg Parliament and to agree on the accession of Spain and Portugal — have already had a sobering effect.

Yet the Craxi Government is looking to the Presidency for political successes to enhance its standing in the important regional elections to be held on May 12.

Un-European

"Every political party tries to present itself as being the most pro-European of the lot," says Sig Forte. "But in practice most of our politicians and bureaucrats think and operate in a basically un-European way, despite the fact that most Italians are pro-Europe in an abstract sense."

Italy, of the larger EEC members, probably has fewest reservations about the Community. The architects of Italy's membership saw it as the best hope for submerging and overcoming Italy's own internal political differences and the great disparities of wealth between the North and South.

Yet a distinguished Italian commentator wrote recently that Italy is "the EEC country which has registered the highest number of defaults, violations and delays in the observance of Community regulations — not just to the detriment of the EEC but also to that of our own country."

In recent months Italy has refused to implement the agreed Community policy aimed at reducing milk production. Until fairly recently it was a very reluctant participant in the Davignon plan to cut surplus steel capacity. On the other hand, it recently accepted a new regime for wine surpluses which hardly squares with its interests.

But the most striking example of un-European behaviour which Sig Forte quotes is the attitude of the Italian customs administration, which frequently interprets the rules to hold up legitimate imports from other EEC countries. Customs procedures last winter triggered protest strikes by international lorry drivers. Italy, as the Minister points out, also has the toughest foreign exchange regulations in the EEC and the stiffest penalties for the illegal export of currency.

"I'm afraid our politicians are *dirigiste* by nature—they want to limit and control everything," says Sig Forte, "and our civil servants are suffused with the Catholic culture of sin—they are terrified of making a mistake."

Restrictive

In preparation for the Presidency, Sig Renato Ruggiero, the senior Foreign Ministry official responsible for the Presidency, has been trying to induce other Ministries to attenuate their more restrictive practices and has convened inter-ministerial meetings of civil servants to discuss Community issues—a very rare thing in Italian Government.

These moves may reduce the possibility of the Italian civil service taking some embarrassing anti-Community action during the Presidency. But Italy would still be an implausible advocate of measures to reduce trade barriers within the EEC and to unify the rules under which companies in Europe operate, though these are among the proposals being advanced by Sig Forte.

Italy is also keen to use the Presidency to press for the extension of both the European Monetary System, particularly by getting Britain to join it, and the use of the European Currency Unit especially in transactions between European Government organs such as post offices.

Sig Craxi is anxious that the EEC should take a major initiative to fight unemployment, especially that of young people; the Government is staging a conference of OECD members on new technology and jobs in Venice in April.

Italy also wants to push forward the idea of a new treaty of European unity, an issue which is being studied by an EEC committee set up after last year's Fontainebleau summit which will report in a few months.

It would then like to stage a conference to discuss the matter and hopes to overcome the serious reservations of countries like Britain, which see the treaty as the embodiment of abstract Europeanism.

East European homes and industry hit hard by freeze

BY LESLIE COLITT IN BERLIN AND PATRICK BLUM IN VIENNA

INDUSTRIAL PRODUCTION and electricity output have been disrupted throughout Eastern Europe as the severe cold and snow wrought havoc with transport and coalmining.

Romania is the worst hit. Already tight electricity supplies have plummeted as a result of serious problems in open cast mines. Lignite coal fuels some 35 per cent of its power stations, and frozen equipment and railway tracks has sharply curtailed mining operations in the main mining area of Oltenia.

Hydro-electric power stations, which normally provide 20 per cent of electricity supplies, are operating far below capacity because of the frozen Danube River. The Romanian news agency, Agerpres, has reported a "substantial diminishing" in electricity needed for "normal economic and social activity." According to Westerners in Bucharest gas for heating and cooking has been reduced.

The country's ruling committee under President Nicolae Ceausescu has announced measures to stabilise power output and to reorganise factory and office working hours to use night time energy supplies. It has called for "self-denial" on the part of the population.

Comecon's inter-connected power system controlled in Prague has little spare power to supply as each country is struggling to maintain output.

The freezing of equipment at strip mines in northern Czechoslovakia has also affected lignite production there. Troops were ordered in to clear ice from conveyor belts and other machines. A halt to barge traffic on deeply frozen waterways has also thrown an extra burden on the rail system which already had problems moving coal.

In East Germany thousands of soldiers and policemen worked around the clock with pick axes in the main brown coal fields to keep railway tracks operating. Mounds of frozen coal arriving by rail at power stations has had to be blasted free with the jet engines of retired MiG fighter aircraft. Coal and electricity production are said to be back to normal after one of the country's largest power stations ran out of coal last week.

Coal trains throughout Eastern Europe have been given absolute priority which leads to long delays in freight and passenger services.

One unexpectedly bright note is that the Polish economy is proving to be relatively resilient to the weather as power stations had large stocks of hard coal.

Temperatures of −20C have blocked shipping on the Danube. Sixty-seven ships from Austria, Romania, Yugoslavia and West Germany are ice-bound between Mohacs, near the Yugoslav border, and Komarom, on the Czech frontier.

Natural gas supplies have been disrupted in Budapest and there are also serious disruptions in domestic gas.

The Hungarian Government has ordered heating be limited to 20C maximum in all public buildings and offices and has reduced television programmes to save energy.

Yugoslavia faces serious electricity shortages due to increased consumption and the breakdown of several power plants and transmission lines. The situation is reported to be especially serious in Kosovo province in the south where all power plants are out of operation.

Temperatures in Macedonia and southern Serbia have fallen below −20C, with −34C recorded in Leakovac, Serbia, yesterday morning.

In Albania snowfalls have created the greatest damage. In the worst-hit north snow is three metres deep. Avalanches have killed 35 people. The cold and the snow have caused considerable damage in the rural areas, where flats and stables have been razed and electricity and telephone communication cut off. Traffic has been interrupted on many roads and the government has set up special work brigades to clear them to ensure basic food and other supplies to the stricken areas.

Under the slogan "One for all, all for one" Albania's population is being mobilised to deal with what the authorities describe as a "natural calamity."

Italy and Spain fear for effect on farming

BY JAMES BUXTON IN ROME

THE CITIES and airports of northern Italy were yesterday brought to a virtual standstill by heavy snowfalls, and alarm is mounting over the fate of agriculture in the snow-covered centre and south.

Umbria in the centre and Basilicata, Molise and Calabria in the south, have urgently requested that they be declared in a state of "natural calamity." This would entitle them to financial assistance to cope with damage to agriculture which, they say, amounts to L49bn (£22m).

They are among the regions worst hit by the first wave of snow which began early this month and which is still affecting much of the Appennine mountain chain. By contrast northern Italy had, until Sunday, suffered mainly frosts of almost unparalleled intensity, but little snow.

The Government is worried that the sharp rise in the prices of fruit and vegetables due to the weather will damage its chances of getting the consumer price index down from the annual rate of 8.8 per cent with which it ended 1984.

Farmers' organisations believe serious damage has been suffered by vegetable producers, and by fruit, wine and olive growers. The latters' trees may have to be cut back so sharply that they will be unproductive for several years. In addition, the usually thriving growers of flowers on the coasts of Liguria and Tuscany have suffered disastrously.

Sig Filippo Maria Pandolfi, the Agriculture Minister, is preparing a decree which would mean an extra L200bn in aid for farmers.

However, Rome is now nearly back to normal after a rise in temperature which melted much of the snow that paralysed it for most of last week—the first such snowfall since 1971.

Tom Burns adds from Madrid: Spain was yesterday braced for its severest weather this winter following forecasts that the extreme conditions of central Europe were moving south.

Snow yesterday temporarily cut road access to the northern regions of Cantabria, Navarre and Asturias which, together with the Basque country and Catalonia, have borne the brunt of the recent severe conditions.

Damage from cold to citrus and early horticultural crops in Valencia and Murcia is estimated at more than Pts 20bn (£100m).

At least 30 deaths connected to the extreme cold have been reported in Spain and there have been several cases, four in Madrid alone, of vagrants without proper shelter freezing to death during the night.

Accused colonel had access to murder files

By Christopher Bobinski in Torun

COLONEL Adam Pietruszka, the senior Polish security officer charged with inciting the murder of dissident priest Fr Jerzy Popieluszko, has told the court that he had access to the murder investigation details right up to the day of his arrest on November 2.

This was the eve of the priest's funeral and two weeks after the murder. Ten days earlier, Colonel Pietruszka's subordinate Captain Grzegorz Piotrowski had been detained on suspicion of kidnapping the priest.

In those 10 days, at least two of the three other accused who kidnapped the priest had said they believed Col Pietruszka had given them the go-ahead.

The fact that Colonel Pietruszka was not only not suspended from duty but allowed to read what his subordinates were saying suggests that the decision to move against him was primarily political.

Colonel Pietruszka continues to deny that he participated in the planning of the murder and the subsequent cover up.

As he finished his testimony, Captain Piotrowski stood up to accuse the colonel of "low cunning." He said Colonel Pietruszka had lied "at every fundamental point."

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. U.S. subscription rates \$420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Japanese car exports to U.S. soar by 24%

BY JUREK MARTIN IN TOKYO

JAPAN'S CAR exports to the U.S. rose in value by nearly 24 per cent last year compared with 1983 in spite of the restraints in place on trade volume.

This was but one indication, in figures released here yesterday, of the extent to which a *surging U.S. economy* and currency combined to defeat at least some of the presumed purposes of U.S. import curbs.

Japan claims that between one-third and one-half of its sale of manufactured goods to the U.S. is subject to some form of restriction. Yet, in 1984, exports to the U.S. jumped in value by 40 per cent and the U.S. share of all Japanese exports leaped 35.2 per cent last year from 29.1 per cent in 1983.

The statistics are derived from the Ministry of Finance's preliminary compilation of Japanese trade, based on customs clearance bases. These differ from the internationally accepted balance of payments method of calculation and are, therefore, principally *useful for the light they throw* on the direction and content of Japanese exports and imports.

The car trade figures come just before the two countries are to decide whether or not the existing four year programme of voluntary restraint should be extended. Officially, the Japanese car industry would like them removed, but quotas have served to drive up prices of Japanese cars in the U.S., and the strong revenues derived from the U.S. market last year demonstrated how remunerative they have been to Japan, as well as to U.S. manufacturers.

But cars are by no means exceptional. Japanese steel shipments to the U.S., some also subject to restraints, rose by no less than 51 per cent in value last year, a *performance* which, among major items, was only exceeded by video cassette recorders (up 92 per cent) and office equipment items (57 per cent higher).

On a worldwide basis, however, steel exports were only worth just under 8 per cent more, cars went up by 14 per cent and VCRs by over 28 per cent (the large offsetting factor here being the 22 per cent drop in shipments to the EEC), office equipment by 47 per cent, semiconductors by 56 per cent.

In fact, according to the customs clearance figures, the surplus on Japanese trade with the U.S. was almost as much as its global trade surplus.

In percentage terms, however, the growth in exports to the U.S. was less than that to China, which last year bought nearly 47 per cent more than in 1983.

China has now passed Saudi Arabia as Japan's second largest national overseas market, after the U.S.

Reuter adds: Japan yesterday announced a record global trade surplus of \$33.68bn last year, a 64 per cent increase over 1983.

The Finance Ministry said exports rose nearly 16 per cent to a record \$170.13bn, while imports grew only 8 per cent to \$136.45bn.

The U.S. economic recovery triggered a 40 per cent rise in demand for Japanese goods worth a record \$60bn, the root cause of a record \$33.11bn surplus in Japan's favour.

Electronic goods were the jewel in Japan's 1984 trading crown, especially a 30 per cent rise in exports of video tape-recorders largely sparked by sports fans eager to treasure highlights of the Los Angeles Olympics.

The falling price of oil, Japan's major import, helped stem any advance in the total value of imports.

Hungary adopts market-oriented trading houses

BY LESLIE COLITT IN BERLIN

THE Hungarian Government intends to allow its foreign trade organisations to become trading houses taking an active part in the production, financing and organisation of companies making products for export.

The move is a radical departure in eastern Europe where trade organisations are divorced from producers and have almost no influence on what is manufactured.

Mr Peter Veress, Hungary's Foreign Trade Minister, said four organisations are being transformed into trading houses. Transelektro, the main Hungarian importer and exporter of power plant equipment, was the first to announce its conversion.

Mr Miklos Kozma, its general manager, said that until now it had been a commission agent for the factories it represented, suggesting product changes and transmitting market demands. However, it was rarely listened to he said. This was because it did not bear a proportional share of the risks and could not act as a prime contractor making competitive offers to supply turnkey equipment for power plants because it lacked capital.

The new Transelektro trading house will have a capitalisation of 10 per cent of turnover, which was \$515m (£468m) in 1983. Using this working capital, Mr Kozma intends vigorously to expand sales on Transelektro's own account. Its team of technicians will now be able to start preparatory work for exporting equipment at a time when producers have not yet obtained the funds needed to submit tenders.

Mr Veress and Mr Kozma both take pains to stress that the Hungarian trading houses are not based on Japanese or European models but are designed to fit conditions in Hungary's market-oriented socialist economy.

Transelektro's marketing organisation is to be streamlined, with joint ventures and subsidiaries being set up. It plans to establish a chain of shops selling imported electric household products in Hungary, and to finance the development of promising inventions by Hungarians.

At the same time as the foreign trading organisations are being given more powers, some 250 Hungarian companies are obtaining their own foreign trading rights. Half of the engineering industry's foreign trade, for example, is now handled by the producers themselves.

Malaysia in airlines row over tax measure

By Chris Sherwell and Wong Sulong in Kuala Lumpur

A ROW has broken out between the Malaysian Government and the world's airlines over a tax measure introduced last year to stem the outflow of foreign exchange and to boost the Malaysian Airlines System, the national flag carrier.

The move has also attracted formal protests from at least eight governments, including *Britain*, on the grounds that it is discriminatory and may infringe existing air service agreements.

The controversial measure, introduced in last October's budget, ends a tax exemption for people who receive air trips from their employers as part of their remuneration. The exemption will apply only if the traveller flies MAS. If their routes are not served by MAS, their tickets must be issued by the airline.

News of the latest row coincides with the start of two days of talks between MAS and British Airways on air services between London and Kuala Lumpur. MAS is seeking a fifth weekly flight on the grounds of increased traffic volume, but British Airways disputes its figures.

The dispute has continued for many months without resolution and has raised concern about a possible deterioration in relations between the two governments. Some British companies believe prospective business deals are already being affected by the controversy.

On the tax decision, Mr Daim Zainuddin, the Finance Minister, said when he presented the budget that the move was in line with Government efforts to improve the country's balance of payments. The Government has over the past year become increasingly worried about Malaysia's growing invisibles deficit.

The board of airline representatives, which represents airlines in Kuala Lumpur, has written to the Ministry of Finance seeking a meeting on the matter. Individual airlines have each sought exemption from the new provision.

Governments have also supported by airliners' case by complaining to the Ministry of Foreign Affairs. Apart from Britain, it is believed that the West Germans, French, Japanese, Dutch and U.S. have all made their feelings known.

GM Brazil opens Latin American barter drive

BY ANNE CHARTERS IN SAO PAOLO

A VENEZUELAN mission of car components manufacturers arrives in Brazil this week as part of General Motors do Brasil's launching of a counter-trade strategy for Latin America.

Last year, GMB exported nearly 27,000 passenger cars worth \$68m in completely knocked down kit form to Venezuela, Colombia, Ecuador, Uruguay and Chile, where it has assembly plants.

This represents an increase of 83 per cent over the previous year's exports, and the company believes that countertrade could further increase sales.

The Venezuelan manufacturers *are to meet GM officials* and several of GM's Brazilian suppliers to identify what parts and components can be sourced from Venezuela. If GM's production grows, as anticipated, to 42,000 units this year, the imported parts would be additional to what GMB currently purchases from domestic suppliers. Some suppliers are already looking at Venezuelan parts.

Six months ago GMB received assurances from the Brazilian Government that import procedures would be eased on products that it wanted to purchase from countries that were export markets for Brazilian automotive products.

This week's meeting is one of the first attempts to put a countertrade strategy in place. Various components made in Colombia are also currently undergoing tests in GMB's plant and this may lead to other contracts.

Brazil's motor industry had record exports in value terms last year, reaching \$1.4bn on sales of 196,000 vehicles, largely destined for European and Latin American markets. In 1983 exports were worth \$1.3bn with 169,000 vehicles.

Group set up to boost UK links with Japan

By Our Trade Editor

MR JIM PRIOR, the former Conservative Cabinet Minister and now chairman of GEC, is to head a mission to Japan starting February 1.

The mission, which includes leading industrialists bankers, politicians and academics, is being organised by a new body, the 2000 Group, whose formation was announced yesterday.

Its aim is "to breathe new life and vigour into trade and cultural links between the two countries," according to Mr Richard Needham, the Conservative MP and long-time adviser to Mr Prior.

Mr Needham said the group sought to provide the first "structured dialogue" *between Britain and Japan*, breaking down misunderstanding and mistrust, especially in trade relations.

The establishment of the group has been welcomed by the Japanese Prime Minister, Mr Yasuhiro Nakasone.

Nishimatsu wins £11m HK construction order

BY DAVID DODWELL IN HONG KONG

NISHIMATSU Construction of Japan has won a HK\$100m (£11m) contract to develop the first of 12 sites at Whampoa Garden, the Hong Kong waterfront development owned by trading group Hutchinson Whampoa which is expected to take six years, and cost HK\$4bn to complete.

The contract, to build 600 flats *in five towers with 60,000 sq ft* of commercial space, is the first to be awarded by Hutchinson at Whampoa Garden. The group's decision in December to press ahead with the developement gave a fillip to Hong Kong's long-depressed property market.

When finished, Whampoa Garden will provide over 11,000 flats and house about 40,000 in Hung Hom, perhaps the largest parcel of land still available for redevelopment in urban Hong Kong. It is east of Tsim Sha Tsui in Kowloon, facing Hong Kong island.

The contract to lay foundations for the second site at Whampoa Garden is due to be awarded very soon, the company said yesterday. Since the company is committed to building 2,000 flats by 1987, building contracts on further sites are expected to be awarded in quick succession during the course of this year.

The cash-rich Hutchison Group is expected to fund much of the HK\$4bn development cost from its reserves. However, pre-sale of the 600 flats at site one is expected to begin in March. These flats are due to be completed before the end of this year.

In December, Hutchison paid the Hong Kong government HK\$390m as a premium to be allowed to develop the site. It is obliged to spend a further HK\$200m building and improving roads.

Gammon Building Construction, a Hong Kong group controlled jointly by Jardine Matheson, and Trafalgar Housing of the UK, will be Nishimatsu's principal sub-contractor at the site.

UK companies win £13m Dhaka power contracts

BY FRANK GRAY

THREE BRITISH companies, Hawker Siddeley, Pirelli UK and Eve Construction, have been awarded contracts worth a total of £13m to supply indoor substations, cabling and supply vehicles for the second phase of the three-phase programme to overhaul, modernise and expand the power transmission and distribution system of the city of Dhaka in Bangladesh.

A three-member Japanese consortium led by Kanematsu-Gosho will supply outdoor substations and overhead lines and Sefag of Switzerland is to supply conductors and accessories. The value of these contracts was not disclosed. The contracts were awarded by Ewbank Preece, British engineering consultants to the Bangladesh government on the project.

The project is considered by engineers to be one of the most challenging in the developing world due to the density of Dacca's population, officially put at 3.4m but estimated to be nearly double that level when outlying communities are included.

Ewbank Preece has been taking a lead role in the project *since 1974*, working with the Bangladesh Power Development Board. The company has been assisted by Armitage Norton, the UK management consultancy

The second phase of the project is being supported by aid money from the Asian Development Bank and the British Overseas Development Authority. The ODA's contribution to phase two is £13m, following £36m to fund the initial phase of work to restore the system to basic operating efficiency.

A further three contracts under the existing phase remain to be awarded. The ODA is understood to be considering a further aid contribution as work progresses.

Yunnan buys Boeing 737s

CHINA'S Yunnan province has bought two Boeing 737-300s for its own airline, the first order for the U.S. company since Peking began to split up its central airline monopoly, Reuter reports from Peking.

The southwestern province bordering Vietnam will operate the 149-seat aircraft on domestic and international services after they are delivered in November and February next year, the New China News Agency said.

The Chinese Government said last year it would split the much-criticised national carrier Civil Aviation Administration of China (CAAC), into more efficient and competitive regional lines and form Air China for major international routes.

China also aims to scrap 15 of its oldest airliners this year and replace them with the medium-haul European Airbus and the long-range Boeing 747.

Report warns of dangers of trading via S. Africa

BY MICHAEL HOLMAN

AN ECONOMIC grouping of nine black-ruled southern African states offers increasing trade and investment prospects, according to a 110-page study published by the Economist Intelligence Unit.

But the report warns that companies operating in the region through their South African subsidiaries can expect pressure from the black states to establish independent operations.

In 1980 the nine states—Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe—formed the Southern Africa Development Co-ordination Conference (SADCC), and sought aid for projects aimed at reducing trade and transport links with *South Africa*. Over \$2bn (£1.8bn) has so far been pledged, says the report.

The nine members have a combined population of over 65m, a total GDP of nearly \$27bn, and international trade worth more than \$12bn.

Complete de-linking of the SADCC economies from South Africa is impossible, the study acknowledges, "but a considerable reduction in dependence on South Africa is not only possible but economically essential," the report concludes, forecasting growing violence and instability in the Republic.

SADCC: Progress, Projects and Prospects, Economist Intelligence Unit.

OVERSEAS NEWS

Labour disputes threaten Hawke pay, prices pact

BY MICHAEL THOMPSON-NOEL IN SYDNEY

MR BOB HAWKE'S Labor Government may face a challenge from Australia's civil servants to his pay and prices accord with the Australian Council of Trades Unions (*Actu*). At a *series of mass* meetings tomorrow 110,000 civil servants are likely to approve work bans and industrial action.

The move also coincides with a sudden outbreak of industrial unrest in other areas which threatens to wreck the largely strike-free record of the Hawke Government to date.

In New South Wales, Hunter Valley train drivers called an indefinite strike from midnight last night, which will affect coal and wheat shipments.

The train drivers' strike will embarrass the Government, for it coincides with the start of a three-day visit to Australia by Mr Yasuhiro Nakasone, the Japanese Prime Minister. Japan is Australia's biggest trading partner, and an important customer for Australian coal.

In Western Australia, a demarcation dispute is jeopardising work at the massive Argyle diamond mine, while the Australian Workers' Union threatened yesterday to renew hostilities in a violent dispute over the use of wide shearing combs in the wool industry.

The civil servants' threat of work bans follows the outright rejection last week by the Arbitration Commission of a special 8.3 per cent wage claim. The three unions involved are not supported by the Actu, which is determined to continue its pay *pact with the government*. Mr Bill Kelly, the Actu secretary, predicted yesterday that the Government would not be pressured by industrial action.

● An agreement allowing young Japanese and New Zealanders to spend a year living and working in each other's country, with a minimum of formalities, will be a possible result of talks between Mr Nakasone and New Zealand's Prime Minister Mr David Lange during the Japanese leaders visit starting on Friday, January 18, **Dai Hagwood reports from Wellington.**

Other topics for discussion include dumping of nuclear waste in the Pacific and the development of a more favourable climate for trade especially dairy products.

New Zealand objects to Japanese proposals to dump waste from its nuclear power stations into the Pacific and Mr Lance *will speak strongly* on this. Reports from Tokyo suggest Mr Nakasone may give New Zealand and Australia an undertaking that Japan will postpone its plans for dumping nuclear waste until the countries in the region agree.

Kuwait buys Soviet missiles

THE Kuwait air force commander disclosed yesterday that his country had received advanced Soviet ground-to-air missiles instead of the U.S. Stinger missiles that the Administration of President Ronald Reagan declined to supply, AP reports from Kuwait.

Brigadier Abdel - Aziz Ghanem, in an interview with the armed forces magazine Hmmat al-Watan, also said that the Kuwaiti army sent military personnel to the Soviet Union and Egypt to train on the SAM-7, SAM-8, Strella-2 and Strella-3 missiles.

● King Hussein of Jordan was reported yesterday to be planning a quick trip to Moscow this week for arms purchase talks with the Kremlin leadership, according to the newspaper Al-Seyassah. It said the King wants to buy a network of Sam-8 anti-aircraft missile batteries and unspecified types of military hardware.

S. Korea elections

The Government of South Korea plans to hold National Assembly elections on February 12 to choose 276 members of the single-house Parliament, a Government spokesman said yesterday, AP reports from Seoul. The election date would become official when approved by the Cabinet this Thursday, he added. The new legislators would serve until March 1989.

Tamil sabotage

Tamil guerrillas fighting for a separate state in north Sri Lanka set off several explosions near bridges in the Northern Jaffna Peninsula yesterday in an effort to block the movement of security forces, a Government spokesman said, AP reports from Colombo. A military spokesman said the bridges were undamaged but the blasts tore large craters in their approaches.

Philippines' reserves

The Philippines' reserves stood at $921m (£837m) on *December 21 against a record* low $247m in October, President Ferdinand Marcos said yesterday, Reuter reports from Manila. The Government expects a steady rise in reserves with a likely improvement in export earnings this year and the infusion of new funds from creditor banks. This year, exports are likely to increase 10 per cent from $5.4bn in 1984, he added.

Chris Sherwell explains how the resource base of Indonesia's economy is now a burden

Indonesia fights for independence from oil

Tax reform holds the key to a restructuring of Indonesia's economy, which relies on oil for two thirds of Government revenue. Dr Ali Wardhana (left), Economy Minister, is in charge of the new strategy

INDONESIA is to introduce a limited value-added tax in April, bringing close to completion the *reforms* begun with a re-organisation of the country's income tax system at the beginning of last year

The new tax arrangements form a key element of an ambitious strategy to transform the whole economy to reduce its dependence on oil. As Asia's largest oil and gas exporter, Indonesia has depended on petroleum to provide three quarters of export earnings and two-thirds of government budget revenues, and this vulnerability has been cruelly exposed by the recent world recession and weak oil market.

In response to the downturn, the Government has had to slash consumer subsidies and rephase dozens of major capital intensive projects to save foreign exchange. It has also adjusted the value of the rupiah, first through a 27.5 per cent devaluation and subsequently through a managed float, which has entailed a steady depreciation against the U.S. dollar.

However, sensing that this stabilisation programme would not go far enough on its own, Government's economic strategists led by Dr Ali Wardhana, the Coordinating Minister for the Economy, have sought to reduce the country's dependence on oil through fundamental structural changes.

These have included a major reform of the banking system, a programme of deregulation and the overhaul of the tax system. The overall aim is to mobilise domestic resources and to boost non-oil revenues, so that the country's development programme can go ahead, if on a reduced scale.

The tax reforms are long overdue, for while Indonesia compares favourably with many developing countries in terms of total tax revenues, the Government's non-oil revenues as a share of gross domestic product are low, compared even with the Philippines, India or Pakistan. Its income tax revenues are lower than those of some of the poorest countries in the world.

In fiscal year 1983-84 which ended last April, for example, personal and corporate income tax revenues outside the oil sector amounted to just Rp 1,156bn (about $1.2bn at then prevailing exchange rates). Less than one-third came from individuals, and the total amounted to just 12 per cent of the corporate tax revenues raised on oil and only 8 per cent of all domestic revenues.

With last year's changes in income tax, personal and corporate income tax revenues outside the oil *sector* are *budgeted* to more than double to Rp 2,450bn in the current fiscal year, and are actually expected to exceed this figure. In the 1985-86 fiscal year, according to last week's budget, the total is expected to rise another 23 per cent to Rp 3,000bn, doubling last year's contribution to domestic revenues to 16 per cent.

This is a pointer to the impact of the new income tax laws, which replaced four separate taxes under the old system with a single tax applied at three different rates — a top rate of 35 per cent on annual incomes above Rp 50m, 25 per cent on incomes of between Rp 10m and Rp 50m and 15 per cent on incomes between about Rp 3m (the threshold for a family of five) and Rp 10m.

The changes simplify the tax structure and, while they lower income tax rates (the top corporate rate was previously 45 per cent, the top *individual* rate 50 per cent), they also broaden the tax base. An estimated 10-15 per cent of the population will qualify as taxpayers, and it is hoped that there will be a higher degree of compliance.

The transition has been far from easy however partly because of the inexperience of tax officials and partly because of the constant need for clarification of the meaning of the new rules.

One obvious problem, for example, has been the fact that corporations can no longer deduct the cost of fringe benefits. Another has been the abolition of all special incentives for investment, such as tax holidays, in favour of what the government regards as the more attractive incentive of lower rates.

Implementation has nevertheless been improving with time, and revenues are now said to be running ahead of budget for both personal and corporate income taxes.

The introduction of VAT is expected to be something of a nightmare. VAT will replace the former sales tax, which was a complicated turnover tax with seven different rates, and will be applied at a flat rate of 10 per cent. But the government, in a typically realistic way, has kept its horizons low.

In the first instance the tax will be applied only to the manufacturing sector — the wholesale, retail, services, construction and export sectors are all excluded. The tax will also be applied to all refined oil products, raising their prices a straight 10 per cent.

This move alone — which follows swingeing increases in recent years as consumer subsidies were cut—is expected to *raise one-third of the budgeted* VAT revenue in 1985-86 of Rp 1,600bn. Officials therefore expect little problem reaching this target, as revenues from sales tax for the current year are projected at about Rp 900bn.

The VAT net is not expected to widen any further before the 1986-87 tax year, by which time some of the teething problems may be ironed out. As for the inflationary impact, officials say this is inevitable but point to the success in limiting the inflation rate to 8.8 per cent this past year despite major fuel price increases.

If the government's objectives are achieved, both income tax and VAT ought to raise more more than 61 per cent of total non-oil revenues of Rp 7,500bn for 1985-86. But budget revenues from oil and gas are still projected at Rp 11,200bn, which means that taxes from the petroleum sector will continue to be the cornerstone of government revenues.

On top of this, a large proportion of the Government's income tax revenues is still coming from expatriates and from multinationals or foreign-managed corporations, rather than Indonesian sources. The improvements so far have not been achieved without cost, the most significant of which has been a plunge in foreign and domestic investment. Officials acknowledge that this is at least partly the result of the new tax system and its confusions.

Reduction of the country's dependence on oil and gas revenues nevertheless hinges critically on the success or failure of its new tax system. That in turn depends on the effectiveness of its implementation and the extent to which the public identifies with it. There *is still a long way to go.*

U.S. general meets Zhao amid reports of arms deal

BY COLINA MACDOUGALL

CHINA'S Premier Zhao Ziyang held talks yesterday with Gen John Vessey, chairman of the U.S. Joint Chiefs of Staff, at the end of his three-day visit to Peking.

While the substance of the talks was not disclosed, the meeting followed a reported agreement by the U.S. to supply military equipment to China.

The equipment said to be covered in the agreement, which is preliminary, reportedly included anti - submarine weapons and anti - missile defence systems.

Gen Vessey, speaking at a banquet last night, said he had agreed with Premier Zhao that "It is important that our military contacts be integrated with our military technology co-operation."

Steadily growing military ties between Peking and Washington did not threaten any third party, he added.

Gen Vessey's visit is the latest in a series of U.S.-China military contacts which began in 1980.

Officials in London point out that the Chinese still have to negotiate commercial terms with U.S. manufacturers, and with the dollar strong Peking might find prices too high.

Meanwhile, in Taiwan Press reports said that the government had cautioned the U.S. against selling weapons to China, saying this could threaten peace in Asia. They quoted an unidentified Foreign Ministry source as saying the U.S. should first evaluate China's existing military power before agreeing to any such sales.

French observers killed by gunmen in Beirut

BEIRUT—Two French ceasefire observers were ambushed and killed in a hail of gunfire as they drove in a patrol jeep through a Shi'ite Moslem area near Beirut's airport yesterday morning.

A spokesman at the headquarters of the 68-*man* observer force, known as *Casques Blancs* for their white helmets, confirmed the deaths. But he refused to give any details, saying an official communique would be issued later.

A Lebanese army source, who spoke on condition he be not named, said at least two assailants raked the French jeep with AK-47 assault rifles from the windows of a white Peugeot and sped away.

The Lebanese military source said the two victims were both chief sergeants whose bodies were taken to the American University Hospital

The deaths brought to four the number of French observers killed since the force was stationed in Beirut *last April* to monitor a truce between warring Moslem and Christian militias in and around the Lebanese capital.

Lt Col Clande Cuenot, deputy commander of the observer force, became the other most recent casualty when he was shot to death on the Moslem edge of the "Green Line" last Tuesday.

AP

Polisario 'downs Moroccan jets'

By Francis Ghiles

THE Polisario Liberation Front, which is fighting for the independence of the former Spanish colony of the Western Sahara claimed yesterday to have shot down three Moroccan military aircraft in two separate battles in the disputed territory

In Rabat the Ministry of Information confirmed that there had been violent clashes between the guerillas and the Forces Armées Royales but said nothing about aircraft losses.

According to Polisario sources in Algiers, the guerillas downed one Mirage F1 aircraft at Mahbes, about 60 miles from the Algerian border last Saturday and two unidentified air planes near Dakhla.

New plant set to double Pakistan's tyre output

BY MOHAMED AFTAB IN KARACHI

PAKISTANI private enterprise took a major step yesterday to put the country literally on its own wheels, as General Tyres and Rubber (GTR) of Pakistan opened its new plant.

The company, an associate of *General Tire International of* the U.S., has put up the plant at a cost of Rupees 430m (U.S.$28m), which includes $11.5m financing by the Jeddah-based Islamic Development Bank.

President Zia ul-Haq opened the plant in the Landhi industrial area of Karachi. The General Tyre and Rubber (GTR) has plans to sell some types of its tyres abroad, including U.S.

Pakistan's tyre production will more than double to 750,000 tyres a year, with the opening of the new plant. It is planned to expand further to 1m tyres a year by 1986 to control 90 per cent of the *market*.

The current market in Pakistan is estimated at 1.1m tyres a year, which is growing at around 10 per cent a year.

With the expansion of the GTR plant by the end of next year Pakistan will become self-sufficient in tyres. Besides the current local production and regular imports, a sizeable number of tyres are smuggled into Pakistan.

AMERICAN NEWS

PRESIDENTIAL ELECTION

Neves set for sweeping victory in Brazil

BY ANDREW WHITLEY IN BRASILIA

BRAZIL elects today a new President to succeed General Joao Figueiredo when he steps down in March at the end of his six year mandate.

Robbing the event of much of the drama it could have had is the near certainty that the Electoral College responsible will name Sr Tancredo Neves, the veteran Opposition politician, and not Sr Paulo Maluf, his government party rival, to the powerful executive post.

Latest estimates predict the 74-year-old Opposition leader will secure at least 479 of the 686 votes in the Electoral College.

Sr Maluf has not yet formally conceded defeat, but the dejection and near silence coming from his campaign headquarters speak for themselves. In striking contrast is the euphoria within the Democratic Alliance, the recently formed front behind the Neves candidacy.

After 21 years of military-led rule, during which public opinion played no part in determining presidential elections, an alliance of dissidents, former government politicians and the Brazilian Democratic Movement Party, the main opposition party, has thus peacefully broken the armed forces' grip on power.

On the eve of today's vote, the last of the Electoral College delegates were flying to Brasilia from around the country. Supporters anxious to confirm their places in the new power structure, which will fall into place in the coming months, filled the lobbies of Congress and the modern capital's hotels.

To diminish the mounting pressures, Sr Neves is expected to announce a partial list of his Cabinet members within the next week. The first names are likely to include the new heads of the armed forces — serving officers chosen in consultation with the services concerned—and the key economic ministers.

Despite the intense interest within Brazil and abroad over who will inherit the unenviable tasks of managing the inflation and debt-ridden Brazilian economy, the President-elect has given few hints as to his choice.

Within the overall context of a cautious approach to the many problems ahead, Sr Neves is expected to perform a careful political balancing act when making his appointment.

Next week the new Brazilian leader is scheduled to set off on a lengthy trip abroad, calling on the governments of those countries usually regarded as most important to Brazil: Argentina, Mexico, the U.S. and Portugal.

Sr Tancredo Neves

Andrew Fisher reports on how the will to succeed has made the project a reality

Vision of a prosperous future at Vancouver's Expo

"THIS BABY'S going to open on May 2 at 10 o'clock in the morning," said Jim Pattison, the tough, popcorn-chewing businessman charged with seeing that Vancouver's C$1.5bn (£1bn) Expo 86 is ready to admit the public in 16 months' time.

His emphatic tone was not just for effect. The province of British Columbia was hit by strikes and lock-outs last year and doubts were cast on whether Expo 86 would ever be finished.

But work has gone on at the 159-acre site around the False Creek Inlet at the heart of Canada's spectacular West coast city. Union members had been concerned that non-union labour would be widely used at cheaper wages, but most contracts have gone to unionised companies. The provincial government has also legislated to make the site an economic development zone, requiring both union and non-union labour to work there.

Mr William Bennett, the province's premier, had threatened to call off Expo 86—its theme will be transport and communications — after union opposition to the site also being open to non-union firms, but later withdrew the threat.

With an estimated 50,000 man-years of work involved in preparing, constructing, and running the exhibition, the will to succeed is considerable. Mr Pattison said Expo 86 was expected to bring some C$3bn into the province, with 15m visitors awaited, and C$4bn into Canada as a whole.

"The fair itself will not make money and will not cost taxpayers money," said Mr Pattison, who owns a car dealing, publishing, food, sign, and transport business with sales of some C$950m a year. He wears watches on each wrist showing the time in Vancouver, New York, and Geneva (where he has a finance company).

More than 30 countries have so far signed up for Expo 86 and will spend an estimated C$400m on their own exhibits. The provincial government will meet the basic Expo cost, of C$800m, aided by a lottery and exhibition revenues, while the federal government is to put up an extra C$250m.

Several major projects in Vancouver are linked to Expo 86, though not actually part of it. Fittingly for a transport-orientated event, the city will gain an ultra-modern rapid transit system costing C$854m.

Part of this system will take visitors from the new waterfront Canada Place development, housing the Canadian pavilion and providing docking space for cruise ships, to the rest of the exhibition across town. After Expo, a C$200m extension to the transit line is planned.

The total public and private investment in Canada Place will exceed C$300m. As well as the cruise terminal, it will include a trade and convention centre (initially the Expo pavilion), a hotel, restaurants, offices, and a public plaza.

The billowing sails of the pavilion's design are vaguely reminiscent of the Sydney Opera House though they are unlikely to dominate the skyline so memorably.

Equally futuristic in conception, though much larger and more costly is the British Columbia Place development, also headed by Mr Pattison. Some of the site will be leased to the Expo organisation, but the C$3bn project will be spread over 25 years and 224 acres to encompass housing, stores, offices, hotels and recreational areas.

Part of B. C. Place, a C$126m stadium in which the fibreglass roof is kept up by the air flow from massive fans, is already in use. It was built on time and to budget, a fact from which Expo's organisers take heart when contemplating the labour demonstrations.

The circular stadium, which looks like a vast quilted cushion from the air, is a modern landmark in Vancouver, which looks set to receive several more as a result of the stimulus of Expo.

Unlike Montreal's Expo in 1967, Osaka's in 1970, and the planned joint Chicago and Seville exhibition in 1992—celebrating the 500th anniversary of Christopher Columbus's first voyage across the Atlantic—Vancouver's Expo is classed as specialist rather than universal.

But it is certainly costing enough, though some C$800m is expected to flow back in gate receipts and spending at the exhibition.

Last year's smaller Expo in New Orleans took rivers and fresh water as its theme. Next year's in Tsukuba, Japan, will be science oriented. Like the four-yearly Olmpics, the Expos are as much a test of political and public will as of financial strength and conceptual vision.

Time prints correction to Sharon story

TIME Magazine yesterday printed a correction to part of its story which triggered a $50m (£42m libel suit by former Israeli defence minister General Ariel Sharon, Reuter reports from New York.

The correction came as the jury prepared to deliberate on a verdict in the two-month-long case.

General Sharon, now Israel's Minister of Industry and Commerce, has demanded a full retraction and apology for the story, which he said portrayed him as instigator of a bloody 1982 massacre of Palestinians by Lebanese Phalangist soldiers at the Sabra and Shatilla refugee camps in Beirut.

Mr Michael Loftman, from Time, said the correction had nothing to do with any moves to reach a last-minute settlement. He said Time had always promised to issue such a correction if warranted.

The jurors were expected to concentrate on whether Time acted with malice or reckless disregard for the truth, the test of libel in the U.S.

In its February, 1983, cover story, Time said an official Israeli inquiry into the massacre found that General Sharon and other Israeli military officials shared indirect responsibility for the massacre which started two days after the assassination of Bashir Gemayel, the Lebanese President-elect.

A key paragraph of Time's article said a secret appendix to the report of Israel's official Kahan Commission on the killings—known as Appendix B—included "further details about Sharon's visit to the Gemayel family on the day after Bashir Gemayel's assassination."

In its four-paragraph statement published yesterday, Time said the Israeli Government had permitted an Israeli lawyer representing the magazine to examine the secret appendix.

"Based upon this examination last week, Time now issues a correction: Appendix B does not contain further details about Sharon's visit to the Gemayel family. Tima regrets that error," the magazine said.

NYSE confirms merger talks with Pacific Exchange

BY PAUL TAYLOR IN NEW YORK

THE NEW YORK Stock Exchange (NYSE) confirmed yesterday that it is holding "serious discussions" with the West Coast Pacific Exchange about "a possible joint venture that could include the merger of the two stock markets."

Mr Richard Torrenzano of the NYSE said: "Serious discussion (with the Pacific Exchange) have been going on for several months," but no agreement has been reached.

He added that it would be "premature" to speculate on the outcome since the talks between senior executives from the two exchanges are continuing.

Mr Torrenzano said that Mr John Shad, chairman of the U.S. Securities and Exchange Commission (SEC) which oversees stock exchange activities, has been informed of the discussions although no formal presentation has been made.

Competition

Any link between the two exchanges would add to the growing movement towards global 24-hour-a-day securities trading — which mirrors the increased "internationalisation" of institutional portfolios — and represents the latest in a series of recent tie-ups between exchanges around the world.

It also marks the latest step by the NYSE to respond to the rapidly expanding NASDAQ over-the-counter exchange in the U.S. and to the growing competition posed by "third market" trading which takes place off the exchange floor.

Among recent initiatives taken by the NYSE, an exchange committee earlier this month recommended that the exchange abandon its long established policy of refusing to list companies with two classes of common stock with unequal voting rights.

But most of the initiatives have centred on discussions *about extending* securities trading hours. Last year the big board announced that it was studying the possible expansion of its current six-hour trading day.

A decision is expected sometime this year and is likely to endorse a half-hour extension in trading hours at both ends of the day to 9.30 am and 4.30 pm eastern time.

The Pacific Exchange—which ranks fourth behind the NYSE, New York's American Stock Exchange and *Chicago's Midwest* Stock Exchange in terms of equities volume — remains open to 4.30 pm eastern time which allows trading in many big *board* stocks to continue after the NYSE closes at 4 pm.

Benefits

If a merger between the two exchanges were agreed, it would help facilitate extended trading in a broader range of stocks and would probably lead to a further extension in the Pacific Exchange's trading hours—perhaps to as late at 7 pm eastern time.

A link with the Pacific Exchange could also hold other benefits. The Pacific Exchange is an active floor for stock option trading, a business which the NYSE would like to expand in competition with the major Chicago exchanges and others.

The NYSE last week confirmed that it had held discussions on possible links with the London Stock Exchange, although London exchange officials down-played the extent of the probable co-operation.

Any link is likely to be limited for the time being to the sharing of pricing and other market information. Closer ties that would enable trading to take place directly between the London and New York exchanges must remain embryonic until London has set up its automated dealing system.

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With effect from the close of business on January 15th, 1985, Hill Samuel's Base Rate for lending will be increased from 10½ per cent to 12 per cent per annum.

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Telephone: 01-628 8011.

The Royal Bank of Scotland
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The Royal Bank of Scotland plc announces that with effect from close of business on 14th January 1985 its Base Rate for lending is being increased from 10½ per cent per annum to 12 per cent per annum

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Lloyds Bank Interest Rates

Lloyds Bank Plc has increased its Base Rate from 10.5% to 12% p.a. with effect from Monday 14th January, 1985.

Other rates of interest are increased as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts – from 7.25% to 9% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of Lloyds Bank International Limited The National Bank of New Zealand Limited.

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The Co-operative Bank announces a change in base rate

from 9·50% to 12·00% p.a. with effect from Tuesday 15th January 1985

Deposit rates will become
7 days notice 8·75% p.a.
1 months notice 9·50% p.a.

Co-operative Bank Cheque & Save
The notional interest rate on Cheque & Save is now 12·00% p.a. (on amounts beyond £1,000).

THE CO-OPERATIVE BANK
Co-operative Bank p.l.c., P.O. Box 101, 1 Balloon Street, Manchester M60 4EP.

Barclays Bank Interest Rates.
BASE RATE

Barclays Bank PLC announces that with effect from the close of business on 14th January 1985, their Base Rate was increased from 10½% to 12%.

This new rate also applies to Barclays Bank Trust Company Limited.

BARCLAYS

Reg. Office: 54 Lombard St., EC3P 3AH. Reg. No's 1026167 and 920880.

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announces that with effect from close of business on the 15th January, 1985 its Base Rate for Lending is increased from 10.5% to 12.0% per annum

Bank of Ireland

Yorkshire Bank Base Rate

With effect from Tuesday 15th January 1985 Base Rate will be changed from 10½% to 12%

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Coutts & Co. announce that their Base Rate is increased from 10.50% to 12.00% per annum with effect from the 14th January, 1985 until further notice.

The Deposit Rates on monies subject to seven days' notice of withdrawal are as follows:–

8.75% per annum for funds not liable to CRT.

6.625% per annum for funds liable to CRT (equivalent to 9.46% per annum to a standard rate taxpayer).

Payments of interest made before 6th April, 1985 will normally be at the gross rate.

Base Rate

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME
LICENSED DEPOSIT TAKER

announces that from 11th January 1985 its base rate increases from 9½% to 10½% p.a.

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Williams & Glyn's
Interest Rate Changes

Williams & Glyn's Bank announces that with effect from 14th January 1985 its Base Rate for advances is increased from 10½% to 12% per annum.

Interest on deposits at 7 days' notice is increased from 7¼% to 9% per annum.

Williams & Glyn's Bank plc
A member of The Royal Bank of Scotland Group plc

Midland Bank Interest Rates

Effective from 14th January 1985.

Base Rate
Increases by 1½% to 12% per annum.

Deposit Accounts
Interest paid on 7 day deposit accounts increases by 1½% to 8½% p.a.

Midland Bank
Midland Bank plc, 27 Poultry, London EC2P 2BX

National Westminster Bank PLC

NatWest announces that with effect from Monday, 14th January, 1985, its Base Rate is increased from 10.50% to 12.00% per annum.

41 Lothbury London EC2P 2BP

INVESTING FOR BEGINNERS
By Daniel O'Shea

This book is based on a complete series of articles published in the Investors Chronicle under the heading "Beginners Guide to the Stockmarket."

It analyses the basic principles of stock-market investment, discusses the different categories of quoted investment, examines a whole range of related essentials such as interpretation of company accounts and gives an up-to-date review of relevant tax rules.

In short, it is a complete guide to its subject. An ideal guide for people new to the stock market, Investing for Beginners should also prove valuable to experts who wish to refresh their ideas on basic aspects of the subject.

Published October 1984

Price (including postage and packing): £8.75 UK or £10.25/US$16 overseas.

Further details available from: The Marketing Dept, Financial Times Business Information, 102 Clerkenwell Road, London EC1M 5SA. Tel: 01-251 9321. Telex: 23700. (Mail order address only.)

Standard Chartered Bank

announces that on and after 14th January 1985 its Base Rate for lending is being increased from

10½% to 12% p.a.

The interest rate payable on deposit accounts subject to seven days' notice of withdrawal will be increased from 7½% to 9% p.a.
The interest rate payable on High Interest deposit accounts subject to twenty-one days' notice of withdrawal will be increased from 8½% to 10% p.a.

Standard Chartered

Base Rate Change
BANK OF BARODA

Bank of Baroda announce that, for balances in their books on and after 14th January, 1985 and until further notice their Base Rate for lending is 12% per annum. The deposit rate on all monies subject to seven days' notice of withdrawal is 8½% per annum.

NATIONAL Girobank

National Girobank announces that with effect from close of business 14 January, 1985

Base Rate
Its base rate was increased to 12%

Deposit Accounts
The rate of interest payable on deposit accounts was increased to 9% per annum.

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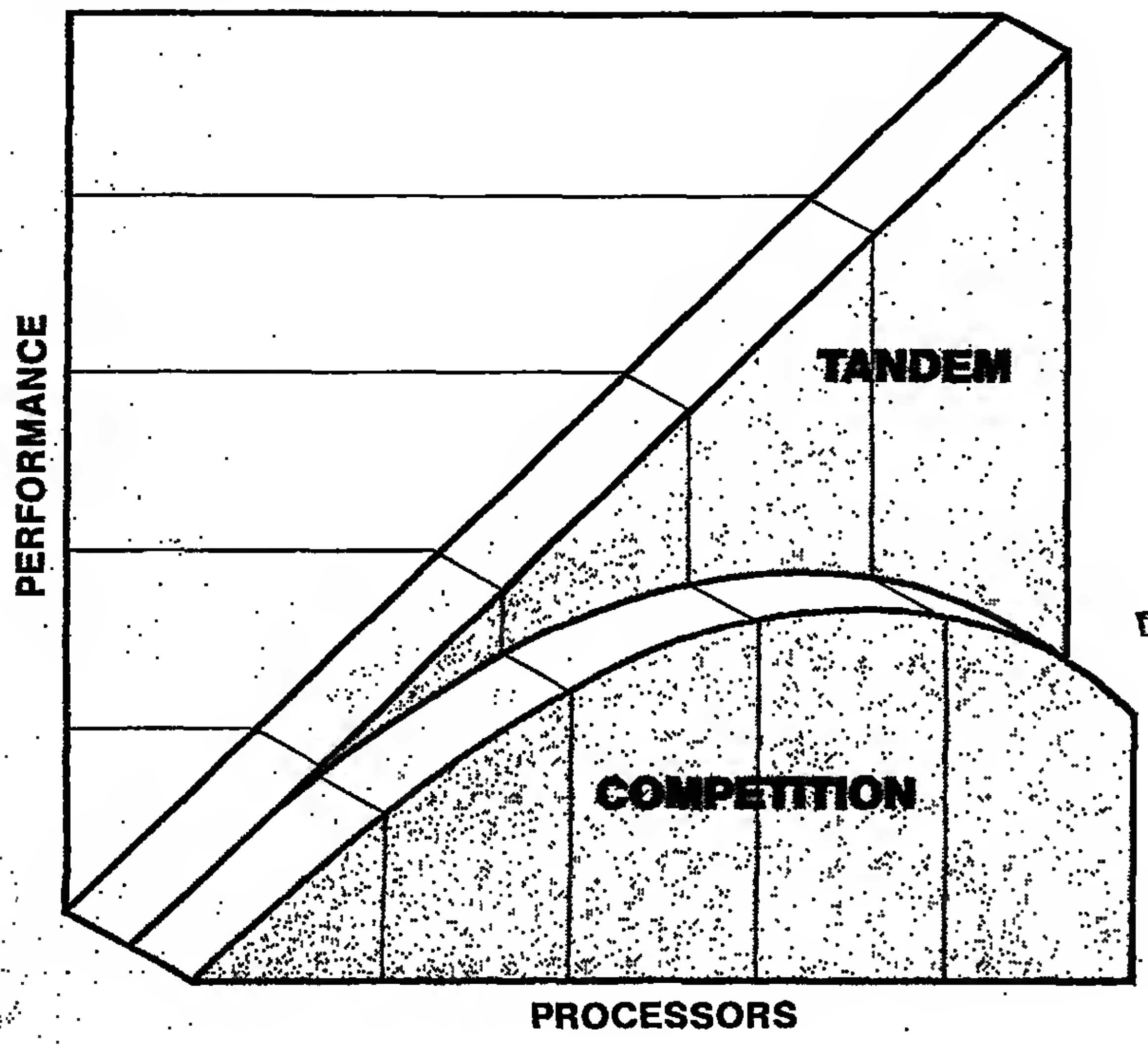

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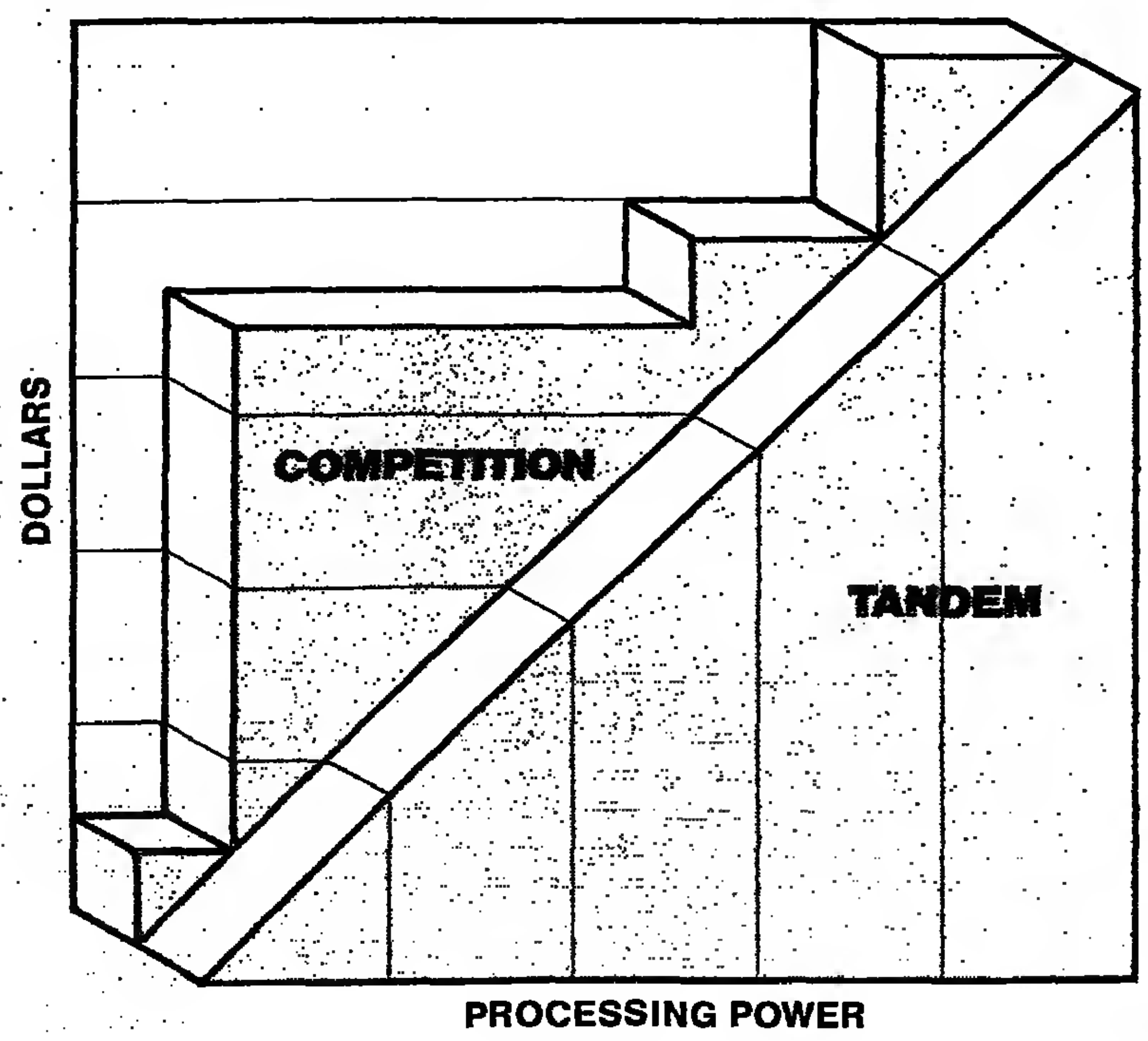

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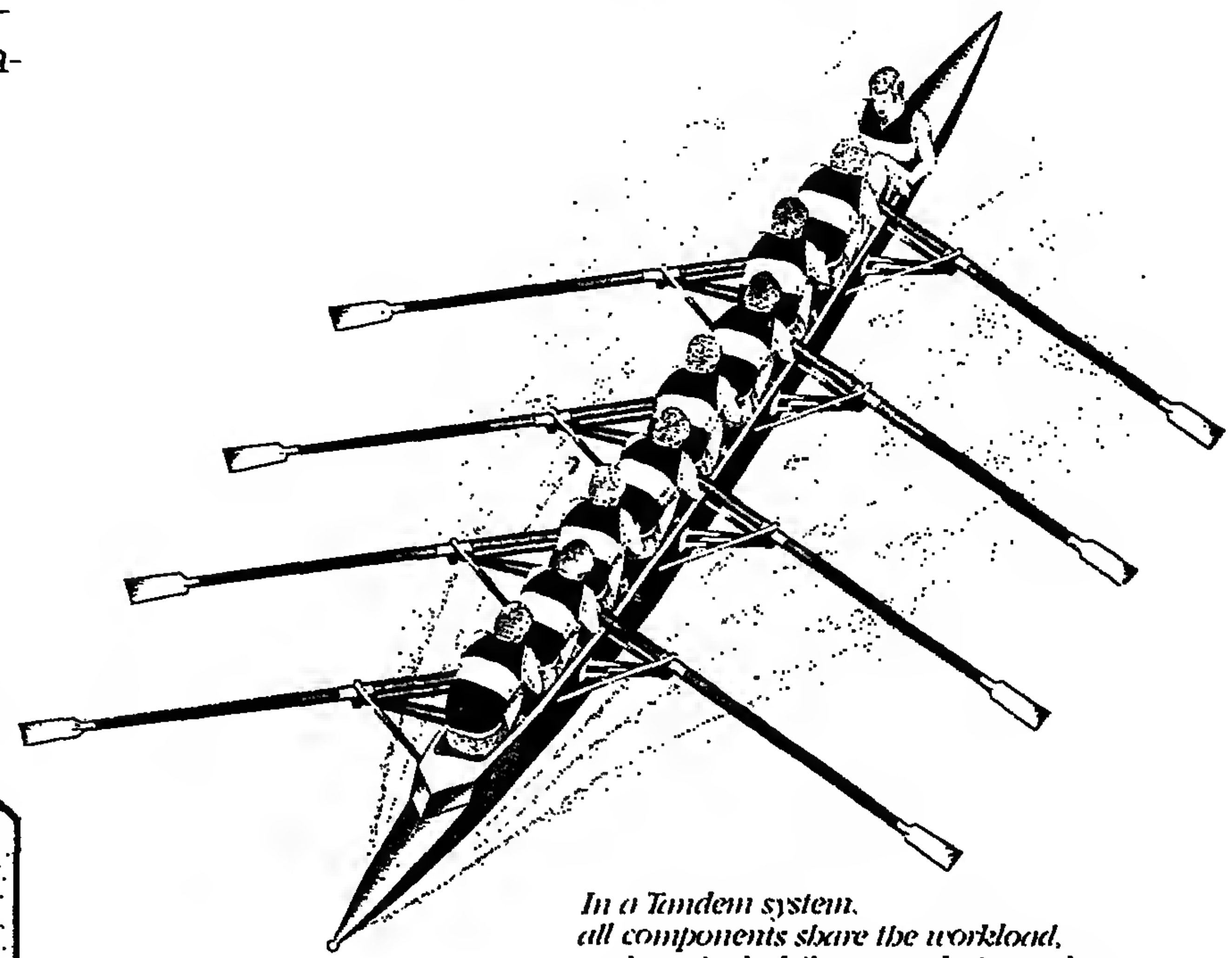

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THE ARTS

Dreams and visions: Bella with a White Collar (above); 1917 oil on canvas. Below, The Flying Carriage, 1913 oil on canvas

Visual arts/William Packer

Lifetime of a maverick

We have always stood rather more in awe of the concentrated achievement of artists who died too soon than of the extensive production of a full lifetime's career. How wonderful it was, we say, that Vincent or Modigliani, Gaudier or Soutine, were able to do quite so much in so short a time.

But the longevity of artists is nothing especially remarkable. Picasso and Matisse, Braque and Ernst, Dali and Miro were all long lived. Their work continued, of course, and continued interesting, but there is always the danger that genuflexion becomes a habit.

The point is simple: how wonderful that such a young man can be so clever, and how wonderful that such an old man can still hold a brush. But it should always be the work which deserves the first attention and the first respect.

Marc Chagall, who was young with Picasso and his peers in Paris before the First World War is still working at 97, which really is remarkable.

It would be the greatest pity and more than that, the greatest waste, if it should seem, by the splendid retrospective exhibition just opened at the Royal Academy (Chagall is an Honorary Academician), that we pay belated honour to a great survivor only by virtue of his survival.

There are particular difficulties with Chagall both of public reputation and critical standing. From his earliest years as a painter, he has always been conspicuously prolific and energetic, and as conspicuously independent. For a while, the nature of his work, free, direct and experimental as it was, set him comfortably on the Expressionist wing of the contemporary *avant garde*. (We might think here of the young Kandinsky, whose work was similarly rooted deep in the peasant culture of Mother Russia.)

As Chagall moved into mid-career, his work began to win for him, by its surface charm and decorative presence, its lively formal invention and anecdotal incident, a wider audience and with it a general popularity which he has never lost.

But there is nothing more damning to serious reputation than an early and sustained popularity, and that disarming, self-confident independence would win him no concession. We value the quality of originality in an artist, of course, but we also ask that he should know, and keep, his place. Chagall was a maverick from the start, for all his educated and open interest in whatever was going on around him—Fauvism, Cubism, Expressionism, Futurism, Orphism.

Criticism's answer has been largely to pass him by with little more than a nod. He figures in all the books, his work is in all the collections, he has been prominent on the international circuit for 40 years or more, yet this is his first show here in any strength since 1948, at the Tate, and still too many of us feel the need to enter a special plea.

The show itself cheerfully gives it all the lie. The circuit begins in Gallery III, the largest room of all, with the very earliest work, the St Petersburg period from 1907, and Paris after 1910, and so round and back chronologically along the further galleries to the Lecture Room and the work of the last few years, spent in Saint-Paul in the Alpes-Maritime. If Dr Susan Compton, who chose the work, hung the exhibition, and wrote and edited the excellent catalogue, should quite reasonably take pride in the fact that she has brought together major paintings to represent all nine decades of the century, which is the scope of Chagall's working life, she would also accept, I am sure, that those few steps across the central rotunda (where the prints hang) encompass his essential achievement.

His work lends itself easily to design for the theatre, to stained glass (which he came to only in his seventies), and to print-making and illustration, and through the body of the exhibition the demonstration is very well made, spectacularly so with the backdrop for Massine's Aleko in New York in 1942, and most beautifully with the later installation of the glass. But even so it is the great paintings which punctuate the progress through the show: The Birthday of 1915, with its soaring lovers and the Matisse-like bedspread, The Rooster of 1929, the White Crucifixion of 1938, with its open reference to the persecutions, The Tree of Life of 1948, the Fall of Icarus of 1975. And it is yet the work in that first large room which prefigures all, the work in the last large room which in an oddly tentative yet touching and most painterly way, draws it again together.

There it all is, in the Village Fair of 1908, the high view and scattered incident, the symbolic figures of clown and acrobat and man with an umbrella, and funrela party. And so too in The Fiddler of 1912, with in addition the flattened spaces and frontality that mark both cubism and primitive art, and the extreme shifts of scale of the medieval icon painter, and the green face, the blue tree and arbitrary incident of the surrealist. Chagall has always been a natural and unforced surrealist. His is the poetic surrealism of dream and vision, the flying figures, serpentine lovers, the Rabbi with a lemon, and a man on his head, the ass and the goat, and the ridden rooster, and the cow sporting a parasol.

But the direct and confident handling of the paint in much of the early work—the wonderfully strange Interior with figures of 1911, a pink cow, a toppled lamp and a man with the toothache, the most perfect examples—gives way to a more careful, self-conscious and feathered application, seen most beautifully in such paintings as the Lovers in a bowl of lilacs of 1930. All very well; but by degrees the surface grows ever more dense and clotted, and thick with glaze, until, that is, we come to the work of what even then was Chagall's extreme old age, when a lighter touch returns and a more open surface to inform in yet a new way the old imagery, the fiddler and the ass, the acrobat and the flying man, the flowers and the girl in The Musicians of 1979.

"Chagall" has been sponsored by The First National Bank of Chicago, with additional help in kind from Lloyds Bank, for the teachers' pack, and from the Government for its Indemnity cover. It remains on show until March 31, and once the Arts Council's Renoir exhibition opens at the Hayward, a joint ticket at a considerable discount will be available at either door. It will then be shown at the Philadelphia Museum of Art, which has shared in the responsibility for its organisation.

International seasons at Riverside Studios

Riverside Studios, Hammersmith, will be opening its new programme in April with an international theatre season and vaudeville in May. From April 10-14 The Suzuki Company of Toga presents *The Trojan Women* and from April 24-May 12 Colletivo di Parma presents *a Che Puntoi Siamo Della Notte* by Georg Buchner.

As its contribution to the *United States Salutes Britain Festival*, Riverside Studios will present in May, a season of some of the great American vaudeville stars led by the legendary Cab Caloway, with Gregory Hines, Elisabeth Welch, Honi Coles, Chuck Green, John Bubbles and Adelaide Hall.

Armstrong leaves WNO

The Welsh National Opera has announced that Richard Armstrong will relinquish the position of musical director on December 31, 1986, when he completes 18 years with the company, 14 of them as musical director. His successor will be named soon.

King Lear/Shaw

Michael Coveney

The Footsbarn Theatre's version of *King Lear* which inaugurated the eighth London Mime Festival over the weekend was well worth seeing, well attended and, on its own terms, an exciting and imaginative piece of work. Playing for two hours without an interval, this is a brisk summation of the tragedy performed by a cast more notable for mimetic and musicianly skills than for verse speaking. Not that much verse remains: Perhaps between a quarter and a third of the text.

Footsbarn, based in the South West, originate their Shakespeare productions, of which this is the fourth, for foreign festival consumption. "An understanding of the English language is in no way essential for the enjoyment of the play," they proclaim. But they are closer to Shared Experience than the Colletivo di Parma in that they race through the narrative for those who may not even know the play, let alone the language.

They do so with tremendous verve. A great ripped white tent serves as permanent setting to Lear's court, the battlefield, the blasted heath and Dover cliffs. The notable costumes and masks, by Charmian Pilley and Fredericka Lascelles, convey a sense of now the Japanese theatre, now the Balinese. It is all colourful, swirling, backed up with pounding percussion and the plaintive doodlings of a cello and violin duet. All nine actors switch costumes and instruments in partial view, quick change virtuosity best demonstrated perhaps in the triple jester routine and the ingenious use of a throne-cum-medical trolley.

Pathos eventually emerges in Dave Johnson's low-key Lear when he encounters the blind Gloucester, but otherwise the presentation is strictly, and strongly, emblematic. As actors Footsbarn are not in the same class as the Colletivo; and the group's intellectual energy is more aesthetic and gestural than markedly contemporary. But they provide enthralling spectacle and you should catch them in Coventry, Exeter or Bristol this month before they disappear once more to the European hinterland.

Emerging pathos: Dave Johnson and Margret Beireye

Open rehearsal/EMI studios

Dominic Gill

The natural alliance established two years ago between the Society for the Promotion of New Music and the London Sinfonietta bore further fruit on Sunday night with another open rehearsal, discussion and recording at the EMI Studios in Abbey Road (donated by EMI) of young composers' works. The scheme is invaluable, and must never be allowed to die for lack of funds. To young composers, who might otherwise never hear their work played on a public stage, such concerts are creative lifeblood; and audiences, to judge from the large number who came through the snow to Abbey Road, find it definitely worthwhile.

The SPNM's reading panel chose two chamber orchestral works for presentation, both just under 15 minutes long. *Trompe l'oeil* by David Sawer (b 1961) was romantic and exuberant in impulse—the piece predates Sawer's recent study with Kagel, but in its combinations of ghostly, floating timbres and dense, sustained textures the influence was already discernible. He has a lively ear, and many single ideas were striking: I specially liked a sequence of overlapping folds of strong harmonics and natural tones. Striking ideas—even if none was really fascinating enough to merit such closely focused elaboration.

Simon Holt's (b. 1958) *Mirrormaze*, now nearly four years old, was more solidly formalised and tautly controlled. Influences were sometimes very clear: some of the flute writing might have come directly from Boulez's *Marteau*; the shrill colours and urgent gestures owe more than a passing glance to Birtwistle. But *Mirrormaze* is not pastiche. Holt's progressions also had an original pungency; there was a nice sense of dramatic momentum and growth. A young composer to watch. The Sinfonietta performed with their customary devotion and virtuosity under the baton, clear and precise, of Richard Bernas.

Angela Brownridge/Wigmore Hall

David Murray

Among the attractions of Miss Brownridge's piano-playing, as demonstrated in her Sunday recital, are confident fluency, full, warm tone and a healthy respect for line. There are no self-conscious "personal" touches (though the whole sound has a firm individual character)—her considerable technique is devoted entirely to shaping the music at hand. Minor failings are a habit of keeping main tunes too unvaryingly up-front, and a gluey style of pedalling that sometimes leaves textures starved of air.

The Haydn Sonata in E-flat with which she began, Hob XVI/49, got sinewy treatment, definite to the point of brusqueness: Very effective despite hints of impatience in moving from one thought to another. Three pieces from Chaikovsky's op 72 Suite were charmingly turned, with a nice sense of their modest scale — after the glitter and the mini-passions each piece was neatly bitten off without lingering. Miss Brownridge's big, purposeful reading of Chopin's B-flat minor Sonata offered many lucid rewards, though over-pedalling smudged the brilliance of the Scherzo unnecessarily.

Old Balakirev's magnificent late Sonata remains one of the almost-undiscovered masterpieces of the specifically pianistic repertoire. I have to say that one's delight at finding it in the programme turned swiftly into dismay. Balakirev's piano diction, as distinct from his folk-melodic style and his sumptuous Romantic harmony, was founded on pre-Chopin manners—Hummel and the like, crisp and articulate — and he regarded *rubato* as a kind of moral disease. Miss Brownridge allowed a hundred vital details to drown in an incessant wash of pedal (had I had an air pistol, I'd have shot her repeatedly in the right foot), and drained away Balakirev's characteristic energy in lazy *rubato*. This sonata isn't a piece of Russified Impressionism: so treated, it seems an over-extended exercise in the picturesque. It's too good for that —but it's true that Balakirev's piano-idiom makes daunting, unfamiliar demands.

Scrape off the Black/Arts

Martin Hoyle

This year's Black Theatre season at the Arts starts with a beautifully acted, tautly directed (by Alby James) and trenchantly written revision of Tunde Ikoli's hard look at tensions between a white mother and her two black sons.

The play's strength lies in its depiction of familial incomprehension of which the colour clash is only a part, though as naggingly omnipresent as a toothache. When, reproached for her neglect of jailbird Andy and affably ineffectual Trevor, Rose is goaded into calling their long-departed father a "black bastard" it has the impact of a whiplash.

Though Mr Ikoli's writing is too good (if sometimes over-articulate for the characters concerned) to present us with token figures, it is tempting to read a certain symbolism into slovenly Rose, slopping around in her housecoat, eternally in debt and living for her nightly fix of bingo; and her refusal to face responsibility in the shape of her sons, the bewildered and bitter fruit of a defunct cross-cultural love affair.

Symbolic of Britain today or not, this is first and foremost incisive domestic drama, and finds the Black Theatre Group Temba on form after the self-indulgent *Boot Dance* with which they opened last year. Ellen Cairns's set suggests the desolation outside encroaching on Rose's East End council flat into which Andy breaks on his first day out of prison. He takes back the cigarette-lighter he gave his mother: he stole it for her in the first place, after all.

Ben Onwukwe's anguished Trevor brings an intensity to his show-down with Rose that recalls if not the greatest mother-son scenes in our theatre, then at least Coward's *Vortex*. Stephen Persaud's Andy is as yet more reticent; but Carole Harrison's giggling blonde bingo crony (her wistful "somebody won a kettle once" resounds with Chekhovian yearning) is finely understated.

As Rose, heavy-featured and lank-haired, dull eyes alert with shrewdness or clouded by alarmed incomprehension, Catherine Terris totally convinces. Her son's judgment, "I'm going to be a constant reminder of every mistake she's ever made," is harsher than Nicky Lancaster's. This accomplished play makes us believe she deserves it;

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

Jan 11–17

PARIS

Swan Lake in Rudolf Nureyev's controversial production with Ezio Frigerio's decor, conducted by Ashley Lawrence/Michel Queval, with Odette/Odile danced alternately by Florence Clerc, Monique Loudieres, Elisabeth Platel, Claude de Vulpian, Noella Pontois and Prince Siegfried's role interpreted alternately by Cyril Atanassoff, Michael Denard, Charles Jude, Jean-Yves Lormeau and Rudolf Nureyev. Paris Opera (296 06 11)

LONDON

Royal Opera House, Covent Garden: The Royal Ballet with Cinderella and Swan Lake (240 1066).

Royal Festival Hall: London Festival Ballet continues with Nutcracker. (928 3191).

Sadler's Wells, Rosebery Avenue: Pilobolus Dance Company (278 8916).

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts the first seasonal performance of Wozzeck with soprano Hildegard Behrens and baritone Christian Boesch as well as La Clemenza di Tito with mezzo Tatiana Troyanos and tenor Kenneth Riegel. The week also includes Ariadne auf Naxos conducted by Andrew Davis and starring Jessye Norman and The Tales of Hoffmann conducted by Jules Rudel with soprano Catherine Malfitano and tenor Alfredo Kraus. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The 81st season continues with mixed programmes that include 17 Balanchine, eight Robbins and three Martins ballets. Ends Feb 24. Lincoln Center (870 5570).

WASHINGTON

Washington Opera (Terrace): Zack Brown's 1981 production of The Rake's Progress conducted by Nicholas McGegan is performed in repertory with Leon Major's new production of L'Italiana in Algeri conducted by Joseph Rescigno with Francois Loup as Rossini's comic Mustafa and Mimi Lerner as Isabella. Kennedy Center (254 3770).

NETHERLANDS

Amsterdam, Stadsschouwburg. Peter Grimes from the Netherlands Opera production directed by Elijah Moshinsky, decor and costumes by Timothy O'Brien and Tazeena Firth. The Utrecht Symphony Orchestra conducted by Bruce Ferden, with William Neill as Peter Grimes and Patricia Wells and Ellen Orford (24 23 11). Thur in Scheveningen, Circus Theatre (55 88 00).

Amsterdam, Stadsschouwburg. The Netherlands Opera in Massenet's Werther directed by Rhoda Levine, with decor and costumes by John Conklin. The Hague Philharmonic under Hans Vonk, with Sylvia Lindenstrand and Neil Rosenhein (24 23 11).

INTERNATIONAL GUIDE TO THE ARTS
every Friday in the Financial Times

TECHNOLOGY

EDITED BY ALAN CANE

RETAIL BANKING EXPERIMENTS SHOW HOW MACHINES ARE TO REPLACE HUMANS

Working model of tomorrow's bank branch

BY ALAN CANE

EVERYBODY agrees the writing is on tha wall for the bank branch as we know it today.

Thera is also general agreement on the style of the hranch of the future—machines to reliava cashiers of boring and repetitive chores, armchairs, desks and carpets to brighten the banking lobby, banking staff free to offer a "personal" service to the bank's retail customers, aided by powerful computing facilities (sae, for exampla, this page, December 14, 1982).

Progress towards this model in Europe, is, however, piecemeal. In the UK, for example, Barclays has pioneered the notion of the "open" banking hall in experiments at Milton Keynes, Ipswich and Watford.

National Westminster bas been experimenting in Basiogstoke with a branch staffed only by macbines and at a number of brancbes with local processing facilities.

> You have to go to Sweden to see it all working together in one place

But you have to go to Sweden to see it all working together in ooe place; to a branch of Götabanken, a Gothenburg-based concern that is the fourth largest commercial bank in the country and 351st in *The Bank's* top *500*. *There*, macbinery has largely taken over from human staff and the "hidden teller" behind the potted vegetation only emerges wben a customer needs help.

Sweden is generally recognised as one of the world's most advanced technological banking nations, but the Gölabanken experiment—its called Project 90—is advanced even by Swedish standards.

It was hardly a modal experiment. First, the chosen oranch—Sveavägen in Stockbolm—was losing money and Project 90 was tha only alternative to total closure. Second, to clear the decks for the experiment, all the corporate side of the business was stripped out, leaving only retail operations. Io consequence, corporate clients were lost to other hranches.

Nevertheless, the thinking behind the Svaavägen experiment indicates how bankers are approacbing the problem of increased competitiveness in retail banking.

As always, wben looking at developments in Scandloavla against tha world banking scene, the question of scale has to be taken into account.

By any standards, Sveavägen is a small branch. It had seven staff before Project 90; now it has only three. It deals with about 30 customers a day.

Mr Bertil Schonhoff, Götabanken vice president explains tbat the bank ideotified three principal segments within its retail banking market. First, the mass market, oeeding quick, simple, efficient service at low cost.

Automatic taller machioes (ATMs) were the chief weapon there. Inside the branch's street doors but outside the hanking iobby proper is a higb speed cash dispenser. It is available during both within and outside normal banking hours.

The outside door can be opened using the ATM card outside banking hours.

Within the banking hall proper, there are no counters, no security screens, no obvious banking staff.

There are conventional ATMs and special enquiry terminals which are operated by the customers themselves to determine their bank balance, move money from one account to another and so on. The bank believes in dedicated machines with one function only for speed and efficiency.

For those who need help at first to operale the machines (and who does not) there is a manned desk.

That desk is the key point for Mr Schonhoff's oext group of customers, depositors and savers. These people oeed a personal hanking service and this is provided by banking staff with a computer terminal at their elbow on which they are able to *examine* the customer's various accounts, draw np documents and contracts and write letters.

Banking equipment for Project 90 has been provided by Philips of the Netherlands; the casb dispensers and ATMs are manufactured by Diebold of the U.S.; enquiry terminals and multifunction workstations are Philips' own.

The last and smallest group of customers in the retail market are the investors, people who may need special guidance through the jungle of trusts and funds anxious for their cash.

Again, staff at desks with multifunctioo workstations are able to provide such a service.

And the "hidden teller"? There is a teller'a desk in the branch complete with multifunction workstatioo and cash dispenser. If a client wants to cash a cheque, bank staff take the chequa to the teller desk for payment.

Mr Schoohoff says: "Traditiooally hanks make their customers move betweeo ooe desk and another. We ask our staff to do the walking."

So, in Stockholm, the hank hranch of the futura bas been realised — with a few special Götabanken quirks. Has the experiment beeo a success?

It is comparatively early days —it opened for business only in January 1984—and the evidence is circumstantial rather than direct, but Mr Schonhoff aod his colleagues seem pleased with their work.

> Banking equipment for Project 90 has been provided by Philips and Diebold

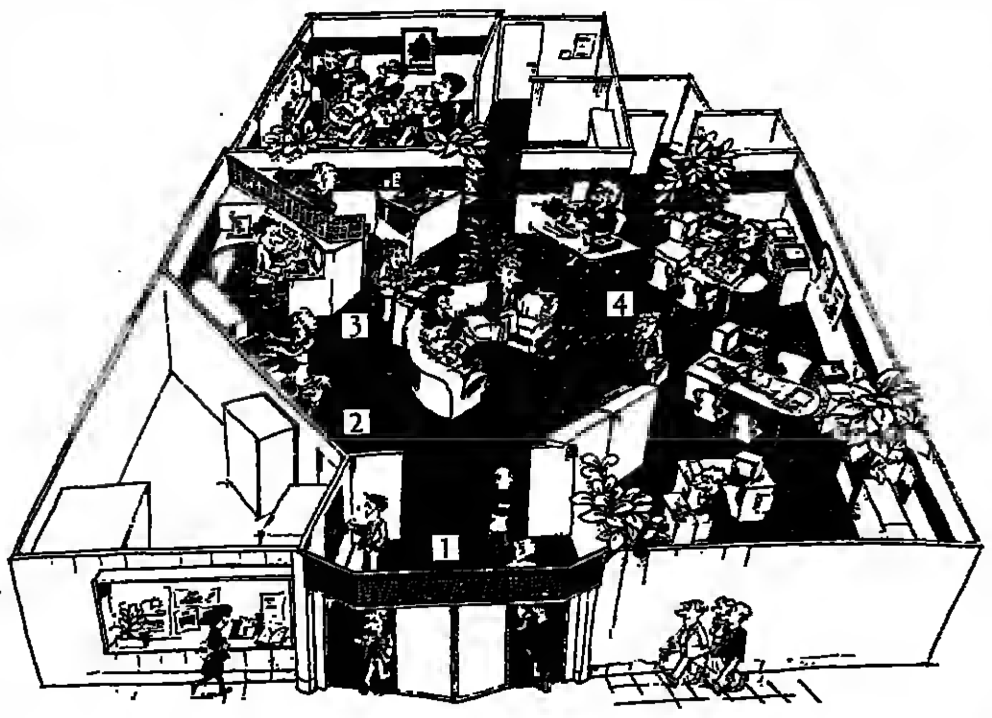
The branch is now profitable and new accounts are rising.

Attitude surveys show that customers think service bas improved in speed and in qnality. There are indications that customers are doing more work in tha branch—average daily inquiries have gone up from one a day per customer to three a day and, perbaps inevitably, *since an ATM card is the key* to the braoch, the population of ATM cards among its customers is much higher than at other branches.

Mr Schonboff is cautious about claiming too much in the way of success for the experiment arguiog it is not possible to show the bank makes money out of its electronic ideas or that its image bas been raised significantly in the community.

And be is careful to point oul that it is an approacb which suits only some sites—rural areas or branches with heavy commitments to corporate clieots would sbow few benefits.

But he can show that bis customers can be persuaded to use self-service banking equipment without significant problems and that the "hidden teller" is a sign of service rather than oegligeoce.



Elements of branch Project 90: 1, enclosed area with fast cash machine; 2, conventional ATM; 3, customer inquiry terminal; 4, "personal banking" service area. The "hidden teller" desk is at the front of the bank on the rigbt-band side.

CAMOUFLAGE PAINT

Hiding buildings like the trees

BY IAN HAMILTON FAZEY

ICI HAS developed a new paint with infra-red reflecting properties that Alcao Plate has proved for mass production of coated sbeet. The applications, which are almost exclusively military, will enabla much more widespread camouflage of buildings and vehicles, which would be constructed using the coated sheet. Botb companies say that potential world markets are likely to be "significant."

The paint has similar infra-red reflectance (IRR) to vegetation. Buildings covered in it would be invisible to IR-sensitive "spy" cameras in sateliites. Suitable planting would, in effect, make it impossible to teli the buildings from the trees.

Because the paint pigment is carried in Pennwait's Rybar-500 fluorocarbon resin system, maintenance costs on the coated sheet wiil be minimai, with an expected life to first maintenance of at least 30 years.

Althougb the pigment is not new, carrying it in virtually indestructibie polyvinylidene fluoride resin is a breakthrough because it enables aluminium or steel to be coil coated in the material.

The advantage of this is that coil coating is the most cost-effective way of painting large expanses of sheet. It works by coils of aluminium or steel being unrolled by machine, and passed along an automatie painting line. The paint is dried by stoving in minutes, so that the line never stops. The coated coils can be rolled up again afterwards for shipping or storage, or cut into sheets for immediate use.

Paint formulations are so tougb that the coated metal can be formed or profiled without damage to the coated surface. This bas aliminated the need for paint sbops or, in the huilding industry, on-site painting aftar construction. Modern building claddings are usually "sandwiches" of coil coated, profiled sheet and various insulation, anti-condensation and interior decorative layers.

The new paint bas been developed in "Nato green," the colour used with black for camouflage purposes. Roy Shearing, Alcan Plate's general manager of painted products, says: "ICI has done a tremendous technical job on this. Our roll was to show how you could put tha stuff onto metal. We think there is great potential for this product."

Existing IRR paints have been mainly used on military vehicles, especially tanks, to make them easier to hide from infra-red cameras or weapon sighting systems. The pigment bas been carried in an alkyd resin system and the paint has been applied by spray or brush and air-dried. The cost of this, involving a lot of labour, plus the need for regular maintenance because of relatively indifferent long-term weathering qualities, bas made more extensive use unrealistic.

As well as buiidings, coil coated aluminium might also be used on large-sided vehicles or mobile command posts. It could also be used to help caravans or large farm buildings blend into the countrysida better in areas of outstanding beauty.

The paint is about 40 per cent reflective, compared with only 10 per cent for a typical duli colour and 60 per cent for light colours used when higb soiar gain is not wanted.

ICI used Alcan Plate to develop the paint system because the company has a small coil coating line in Birmingham which can easily handle short runs. Also, the relatively bigh price of Alcan's substrate has meant that like all aluminium coil coaters it has had capacity spare to use in a search for new markets.

In contrast, the steel industry's coil coating plant have been expanding production throughout the recession as industry has raalised the cost savings that can result from the coil coaters' "finish first, form later" sales message.

Dr Bob McGuiness who runs ICI's coil coating operations, says: "We could not bave got time on British Steel's lines to develop the paint. But there is oo reason why it cannot be applied to steel just as well as aluminium and we shall be talking to British Steel about it."

Whether the paint will become available on the cheaper steel substrate depends on levels of orders, since busy steel coaters can only afford to take on high-volume work at present.

March

Office

Logica steps up its efforts

LOGICA VTS the manufacturing arm of the Logica software group, has taken further inroads into the office automation market with the launch of an image printing system.

Based on the Canon CX laser printer, the system is aimed at large organisations with in house printing needs for the production of standard forms or technical reports, for example. Currently such organisations are served by daisy wheel printers linked to word processing or larger scale typesetting machines combined with lithographic processes.

Canon's laser printer is basically a photocopier combined with a laser. The laser writes an image on the photosensitive drum unlike conventional photocopiers where an original document is scanned. The laser receives its information from a computer.

In conjunction with a young engineering design company called Chelgraph, Logica VTS has produced the equipment which delivers the laser information to the printer. The hardware comprises a main processor and memory, interface logic for the printer and a bit slice process which is responsible for the image to be transferred to the printer. This allows the system to produce about eight different pages of A4 in one minute which is about three times faster than a daisy wheel printer.

The system has e resolution of 300 dots per inch both vertically and horizontally. Text can be scaled up or down and produced in a wide number of founts or mixed with graphics.

Logica intends to sell the system to original equipment makers and as part of its own office automatioo system. The equipment will be made at its Swindoo manufacturing plant.

Industry's input costs rise 2.9% in month

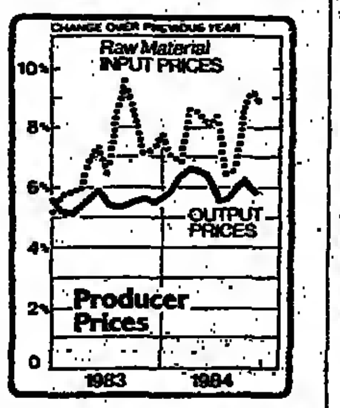
By Robin Pauley

THE COST of manufacturers' fuel and raw materials rose sharply in December for the third successive month. The factory gate prices of their products, however, increased by a very much smaller amount. As this is a reliable early guide to future retail price movements, there appears to be very little inflationary pressure in this respect.

Figures published yesterday by the Department of Trade and Industry show that manufacturing industry's input costs jumped by 2.9 per cent last month after a 0.9 per cent increase in November.

The November rise was largely due to seasonal increases in electricity costs and might well have been higher but for some strengthening in sterling's position during that month.

In December, however, sterling fell consistently, losing 4½ per cent of its value against the dollar and more than 2 per cent on the sterling index which measures its trade-weighted value against a basket of currencies.



The resulting rise in import costs, plus further seasonal increases in electricity costs, had led the City of London to expect a jump in input costs of around 3 per cent for December. There was, therefore, little surprise or disquiet about the figures in the markets, which were preoccupied yesterday with the state of the foreign exchange markets. A year ago, when sterling was not under the same pressure, the seasonal electricity price effect caused a 2.5 per cent jump in input prices for December.

The input price index is notoriously erratic and needs to be viewed over long periods. Taken over a 12-month period, the increase in the index fell to 8.8 per cent in December from 9.3 per cent in November. The index stood at 143.2 in December (1980=100).

In spite of the rise in input prices and pressures from depreciating sterling, the underlying increase in manufacturing industry's prices to wholesalers appears to have been low in recent months. The prices they charged for their manufactured goods rose by 0.3 per cent in December taking this index to 134.7 (1980=100).

The increase was spread across most industries although a few sectors had no output price increases – man-made fibres, motor vehicles and parts – and one, instrument engineering, had a slight fall.

● Retailers in December had their best-yet level of Christmas trading, according to government figures released yesterday. Retailers' confidence about a continuing consumer boom this year is beginning to be affected, however, by the threat of higher inflation and house mortgage rates.

Miners expected to set up separate union

BY JOHN LLOYD, INDUSTRIAL EDITOR

SENIOR OFFICIALS of the National Coal Board (NCB) believe that the Nottinghamshire miners, most of who have been at work during the coal strike, will form the core of a breakaway national miners' union.

It is thought that a new union could attract half of the present 189,000 members of the National Union of Mineworkers (NUM). The NCB would probably negotiate with a new union although opinions among senior officials are divided.

Recognition of a new miners' union would entail considerable problems for the board – including the fact that the Coal Industry Act which set up the NCB in 1947 laid down that the NCB had to negotiate with the NUM.

The tide of opinion is likely to favour recognition, however, on the assumption that the Government will be prepared to amend the Act if required. NCB officials expect the Notthinghamshire area, if it is expelled from the NUM to apply for sole negotiating rights for that area – a request which is likely to be granted.

The board's determination to recognise any breakaway emerged as the Nottinghamshire NUM area executive made expulsion more likely by confirming the suspension of Mr Henry Richardson, the area secretary, who had been supporting the strike. The 10-man executive also suspended Mr Richardson from his post as a full-time official.

Mr Richardson later said expulsion of the area was "inevitable," and that his suspension was not lawful. A group of striking Nottinghamshire miners were meeting last night to begin the process of "setting up" NUM branches in the country, in preparation for the expected expulsion after a special delegate conference called to discuss the issue on January 30. The group will consider taking legal action against the Nottinghamshire executive.

Mr Richardson said he had been asked by the executive to give an undertaking that he would no longer campaign for the NUM – but he had refused to do so. He said he had received a letter from the NUM saying that he was still regarded as the area secretary.

The moves came as the NCB enjoyed an unexpectedly good day in the coalfields, with 1,330 men returning to work, more than 100 more than last week.

The north-east of England again showed the largest return, with 473 reporting for the first time. In Yorkshire 310 men reported back, with 237 in North Derbyshire, 174 in *Scotland*, 75 in *the Western area* and 34 in South Wales.

Trades Union Congress (TUC) leaders are hopeful of new talks with the Government soon – and Mr Peter Walker, the Energy Secretary, has been careful to let it be known that he will keep the door open to further approaches from the TUC.

Neither the Government nor the NCB, however, feels under any pressure to compromise its stance.

Whitehall may cut drug profits further

By Carla Rapoport

THE GOVERNMENT is expected to announce another cut in the profitability of Britain's drug companies before the end of March.

It would be the third action to limit drug companies' profitability in just over a year. The moves, aimed at reducing the *National* Health Service's £1.4bn-a-year drugs bill, have fuelled a bitter row between industry and government.

The Government's intention to reduce drug companies' profitability further was discussed by industry representatives and Mr Kenneth Clark, Health Minister, in meetings just before Christmas. The Department for Health and Social Services said it would be "writing to (UK drug) companies shortly" about the outcome of those *meetings*.

Dr John Griffin, director of the Association of the British Pharmaceutical Industry, yesterday confirmed that the industry was expecting a further reduction in profitability. In December 1983, the industry's target return on capital employed was reduced from 25 per *cent to* 21 per cent. *Dr Griffin and* others believe this target may be cut to as much as 17 or 16.5 per cent.

Last November, Mr Norman Fowler, Secretary of State for Health, announced the Government's intention to restrict the prescribing of brand name medicines by NHS doctors for a variety of common ailments. The move has hit UK subsidiaries of foreign companies the hardest.

Andrew Arends follows the pound's fortunes in the forex market

A hectic day's dealing in 'cable'

AT 10.14 am yesterday on Reuter's screens across the City of London the news flashed that the Bank of England had resurrected minimum lending rate (MLR) and had posted it at 12 per cent. For just an instant, in at least one foreign exchange dealing room, no one was sure what *exactly was going on*.

Then, as a wave of comprehension spread across the Square Mile, market reaction was nearly unanimous: "Bingo, it's back" said one dealer. "Call it 'zero hour,'" said a trader at one large European bank.

Sterling, which had been hovering nervously around the $1.1150 level for a good part of the morning, and which had plunged to an all-time low on the trade-weighted index, leapt 20 basis points against the dollar almost instantaneously.

"Buy cable" orders buzzed across the "squawk" boxes in the National Westminster's World Money Centre forex trading room. ("Cable" is the forex market's name for sterling – reflecting the technical means of trading in a bygone age.)

Building societies are expected to announce an increase in mortgage and investment rates this week, although not all the major societies feel that a rise is necessary at this stage.

A rise of 1.15 percentage points would raise the rate on the cheapest mortgages offered by the Woolwich to 13 per cent, equivalent to 9.1 per cent after tax relief. This would be the highest mortgage rate since July 1982.

Within half an hour a wave of sterling purchases had lifted it to $1.1325 against the dollar, and a full point on trade-weighted. This turned out to be the high water-*mark for the pound*.

In less than an hour after what had been seen as an emphatic signal by the Government of its resolution to defend the currency, uncertainty rushed back into the market. As the clocks were striking 11am, a rumour started circulating that MLR was only applicable for yesterday.

"We don't know what that means," said Mr Alan Pain, senior World Money Centre manager at NetWest. "But we have to stay calm."

In another trading room across the City, greater confusion reigned about what the Bank of England actually meant. "If rates drop back down again cable will fall," said one trader, who began taking a few more positions against sterling. "It could crash."

By mid-day slight selling had edged sterling back down to about $1.1275. But it was clear that any epocalyptic view seemed an exaggeration. Dealers made their way to a short, hurried lunch, keen to get back to their trading pits before the New York market started at about 12.30 pm London time.

"I feel better now," said Mr Owen Mitchell, chief manager at Nat West's World Money Centre. At a European bank, the senior dealer agreed. "Unless something dramatic happens at the Chicago Mercantile *Exchange, things may settle down*."

By mid-afternoon, even the feverish activity in Chicago – where a *wave of selling of the pound* was reported – had little net impact on sterling in London. But at 3 pm the calm was shattered by news sweeping in across the North Sea. On the Reuter's screens a report flashed that Statoil, the Norwegian state-owned oil company, was about to announce it would peg its oil prices at the market level.

Royal Bank of Scotland joins the conglomerate game

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

ROYAL BANK of Scotland has taken a big step into corporate banking right in the middle of the merger with its sister English banking operation, Williams and Glyn's.

Its proposal to purchase Charterhouse Japhet from Charterhouse J. Rothschild, will equip it with a *substantial merchant banking arm in* the City of London.

Over the past two years Mr Sid Proctor, the Royal's chief executive, has been developing his own merchant bank and reactivated the group's dormant National Commercial and Glyn's to become the main corporate arm. But, by his own ad*mission, it would have taken years* to achieve the experience which the £151m acquisition of Charterhouse Japhet will bring.

If the deal goes through, National Commercial and Glyn's will be likely to become the Scottish branch of Charterhouse Japhet.

Making the Royal's underweight problem in the corporate sector more serious was last year's sale of its 39 per cent share in Lloyds and Scottish finance house to Lloyds Bank. Shaking off its interest in this kind of business, however, did bring in £92m.

The Charterhouse purchase, in the view of some in Scotland's financial sector, will help chase away persistent rumours that the Royal Bank is vulnerable to a takeover.

Speculation about outside predators of the Scottish bank has been *around since the Monopolies and* Mergers Commission two years ago recommended against rival bids for the Royal from Standard Chartered and the Hong Kong and Shanghai bank.

The Royal said yesterday said that the acquisition would enable the bank to "meet the considerable competition currently facing all banks from the structural changes now taking place in the United Kingdom financial system."

It seems unlikely that the Royal, after raising the funds for its merchant bank purchase through a rights issue, plans to enter the conglomerate game with the retail banks and purchase a stockbroker or jobber.

The growth of conglomerates has been looked at with growing amazement by Scots bankers. The Royal said two months ago that it viewed the growth of these big financial services companies with incredulity.

The Scottish banking sector is fairly touchy about possible shifts of balance which see any migration of financial activity to England. Nevertheless there is a feeling that the Royal has done the right thing.

The main doubts heard in Edinburgh concern the impact which the acquisition of a big merchant bank will have on a bank with largely retail banking interests. The merger between the two sister retail banks, the Royal and William and Glyn's though relatively smooth, has seen a *number of senior executives* leave. Possibly the merger between the Royal and a merchant bank will produce similar difficulties in marrying senior management.

Mr Charles Winter who will become chief executive of the Royal Bank Group after the retail banks merge is a man with largely retail banking background.

He will have problems enough running a merged retail bank with its administration in Edinburgh but many of its day-to-day decisions being made in London. On top of this will come the co-ordination of the bank's long-term retail objectives with the expanding corporate business.

And what about the salaries paid to top executives – often a source of discord? Mr John Hyde, Charterhouse Japhet's chief executive, is being kept on at a salary of £130,000 while the top salary paid to the highest paid director of the Royal Bank Group is £83,853.

The Charterhouse Japhet purchase shows how the two independent Scottish clearing banks are outgrowing their home markets and looking for new business in the south.

For the Royal this has meant the merger with William and Glyn's, its plans to form a car insurance company and now the acquisition of a City-based merchant bank.

Its rival, the Bank of Scotland has used imaginative link-ups with building societies to gain a wider client base in England.

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Talbot workers vote to accept pay offer

By Arthur Smith

WORKERS at Talbot, the UK car *subsidiary of Peugeot of France*, voted overwhelmingly yesterday to reverse their decision of a week ago and accept the company's two-year pay deal.

Union officials had been surprised by the original vote to reject an offer which would boost the basic pay of a typical production work*er from £119 a week to £138* by January next year. Workers at mass meetings yesterday, faced with the company's refusal to improve the terms, however, decided to accept the deal rather than start industrial action.

The decision – a reflection of the lack of militancy in the recession-hit West Midlands – will boost hopes at Land Rover that its 9,000 workforce will vote at mass meetings today to accept a two-year pay *offer*.

Union leaders are not expected to make any recommendation on an offer that will give increases on pay *rates similar to those offered at Talbot*.

The verdict of the 3,000 workers at the main Land Rover site at Solihull, Birmingham, is crucial. The Solihull employees, who know their jobs are more secure, tend to be more militant. Land Rover is concentrating production at Solihull under a £14m a year cost savings plan that will involve closure this year of some 10 satellite components plants and the loss of 1,500 jobs.

UK NEWS

Medical charity sheds stake in Grand Met

BY LISA WOOD

THE BRITISH Heart Foundation, a large research charity for heart diseases, yesterday sold its 36,000 shares in Grand Metropolitan – worth about £100,000 – because of the company's involvement with the tobacco industry.

Another charity, the Imperial Cancer Research Fund, will discuss its own £500,000 investment in Grand Metropolitan at a meeting of its finance and investment committee later this month. The hotel and brewing company owns Liggett & Myers Tobacco of the U.S.

Both charities have been included in a list published by the British Medical Association (BMA), the doctors' professional body, of religious, charitable and health organisations which held shares in six companies directly or indirectly involved with tobacco.

Mr Christopher Thursby Pelham, director general of the British Heart Foundation, said: "We were completely unaware that Grand Metropolitan had become connected with the tobacco industry." Its investment represented about 1.3 per cent of its total investments.

The Imperial Cancer Research Fund criticised the BMA for suggesting that some bodies were not aware of their investments. The fund said it knew of Grand Metropolitan's U.S. activities but had taken in good faith the company's attempts last year to divest itself of Liggett & Myers.

Mr David Innes-Williams, chairman of the research body's council said: "If corporate trustees were seriously to attempt to implement the purist policy advocated by the BMA and exclude participation in companies with transitory or indirect links with the tobacco industry, where would this lead us?"

He suggested, for example, that banks or investment trusts in which a charity might invest could have direct or indirect links with the tobacco industry.

Grand Metropolitan, named together with BAT Industries, Rothman International, Imperial Group, Molins, the tobacco machinery maker and Bunzl, which makes filters, said yesterday it was obviously concerned but the percentage of shares held by institutions including charities and health organisations was small.

Friends' Provident Unit Trust Managers, a subsidiary of Friends' Provident Life Office, with its Stewardship Trust is the only UK unit trust investing in "ethical" shares.

Mr Michael Hardie, the investment director, said: "One cannot take a 100 per cent purist line. It is almost impossible." Friends' Provident, which avoids investment in companies with large South African interests, armaments, gambling and tobacco, has investments in some 50 companies totalling about £1.6m. It claims that interest in investment where financial gain is not the sole criterion is growing fast.

Wedd Durlacher starts service to deal in foreign securities

BY JOHN MOORE, CITY CORRESPONDENT

WEDD DURLACHER Mordaunt, one of the largest stockjobbers or market makers on the London Stock Exchange, today starts a service making markets directly for institutional investors seeking to trade in foreign securities.

Wedd Durlacher International has been set up with £10m of capital subscribed by the jobber's partnership. The establishment of the company has been triggered by the recent changes in the stock exchange rules which allow member firms when trading in overseas securities to act as both jobber and broker.

The change foreshadows the wider changes in the London securities market which will permit firms to act as both agents for clients and market makers in securities in a reformed market. Until now the stock exchange has had strict rules to prevent firms acting in both capacities.

The company formed by Wedd Durlacher is an international dealership and other securities firms have already begun similar operations. The most notable is a joint venture arrangement between brokers Rowe & Pitman and jobbers Akroyd & Smithers, who are merging, together with Mullens, the stockbroker, with Mercury Securities, the parent company of merchant bank S. G. Warburg.

Wedd Durlacher is also involved in an ambitious link-up. Barclays Bank has a 29.9 per cent shareholding in the firm, and has taken a 5 per cent stake in de Zoete & Bevan with a view to increasing both stakes to 75 per cent once stock exchange rules permit outsiders to hold more than 29.9 per cent.

Wedd Durlacher's future broking associate, de Zoete & Bevan, does not have an interest in the new international dealership. For the first time Wedd Durlacher will be talking to institutional investors directly, rather than having orders from these large clients placed entirely by brokers.

It intends to offer a net market making service, free of commission charges, in the securities of Australia and New Zealand, Belgium, Canada, Denmark, Finland, West Germany, the Netherlands, Hong Kong, Norway, Sweden, Switzerland and the U.S.

Its new company will be staffed by 35 people

£60m rail investment approved

BY LYNTON McLAIN

THE GOVERNMENT has approved a plan by British Rail to spend £60m of its own money on additional multiple diesel trains, Mr David Mitchell, the junior transport minister, said in the House of Commons yesterday.

Mr Mitchell said that British Rail had embarked on a "major programme of investment." The £60m is to be used to buy 240 "sprinter" medium weight diesel trains. This investment approval is on top of that given by the Government last February for BR to invest £24.5m in 100 diesel units.

The latest announcement brings the total BR investment approved by the Government since January 1984 to £484m. This includes the approval last July for BR to electrify the east coast main railway line between London and Edinburgh, at a cost of £306m.

Other investment approved includes the purchase of 150 rail buses, light trains designed for use on little-used rural lines, at a cost of £24m; the £32.5m resignalling of Waterloo Station, London; the purchase of freight locomotives and other small scale electrification programmes.

British Rail has to work within a Government-set external finance limit and is not permitted to borrow beyond this limit for its investment programmes, the Department of Transport said. British Rail has to raise all the money for the latest investment schemes from its own trading activities. The investment has to be "self-generated," the department said.

SDP court challenge over TV 'imbalance'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DR DAVID OWEN, leader of the Social Democratic Party (SDP) complained to the High Court in London yesterday of a "gross imbalance" in the amount of television coverage received by the SDP and its Liberal Alliance, compared to that given to the Labour and Conservative Parties.

The Alliance parties had increased their share of the vote in by-elections since the 1983 general election, but that change in voting patterns had not been reflected in the coverage of politics on television news and current affairs programmes, Dr Owen asserted.

The SDP leader has gone to court because the Broadcasting Complaints Commission, set up to investigate complaints about unjust or unfair treatment in television and radio programmes, has refused to deal with the SDP's complaint that the Alliance parties' views have been deliberately omitted from a series of television programmes.

The commission claims that it has no power under the 1981 Broadcasting Act to consider the SDP's complaint; that if it did have the power it would be inappropriate for it to exercise it; and that the proper place for the complaint to be ventilated is the House of Commons.

Dr Owen and the SDP are asking the court to declare that the Commission has jurisdiction under the Act to deal with the complaint.

Mr Anthony Lester, QC, for Dr Owen, said that the case was of vital importance to the future of British democracy, raising the question whether there was any effective remedy for a substantial complaint of imbalance in the way British politics were reported and discussed on television and radio.

Television had become the lifeblood of modern politics, because of its importance in influencing public opinion, and the imbalance had major consequences in the competition between political parties for public support, Mr Lester added.

In the 1983 general election the Alliance had obtained 25.4 per cent of the vote – only 2 per cent less than the Labour Party. In the six subsequent by-elections the Alliance share had gone up to 36 per cent, with the Conservatives polling 32 per cent and Labour 28 per cent.

That change in voting patterns had not, however, been matched by a change in the way television covered politics. A 10-week survey of the BBC's Nine O'Clock News and ITV's News at Ten between February and April last year had shown that Conservative spokesmen had a 70 per cent share of TV times, Labour 25 per cent and the Alliance only 5 per cent.

Mr Lester said the Commission had said that its powers were limited to complaints about imbalance in programmes as actually broadcast. It took the view that it would be inappropriate for it to formulate a criterion against which to test whether sufficient coverage had been given to the Alliance, and burdensome for it to have to analyse news programmes.

If the Commission could abdicate its responsibilities on such grounds it would mean that the Alliance parties had no effective remedy for a situation that affected their ability to communicate their policies and views to the electorate, Mr Lester said.

He argued that the 1981 Act gave the Commission power to consider whether the way material included in a programme was selected and arranged was unjust or unfair, and not merely whether the actual content of the programme lacked balance.

The case is expected to finish today.

Smith retail group joins cable project

By Raymond Snoddy

W.H. SMITH, the retail group, is setting up a consortium to create a "lifestyle" channel for cable and satellite television.

The company will take a 35 per cent stake in the venture. Reed Publishing will have 25 per cent; Blackrod, a video company, 20 per cent; and Yorkshire Television 20 per cent.

The decision will give another small boost to the morale of the cable television industry after a year of almost unremitting gloom. The four partners intend to produce a business plan by the end of June to establish if the project is viable.

The consortium's aim would be to provide daytime programming covering themes such as food, health care and fitness, fashion and beauty care, family finance, leisure and travel.

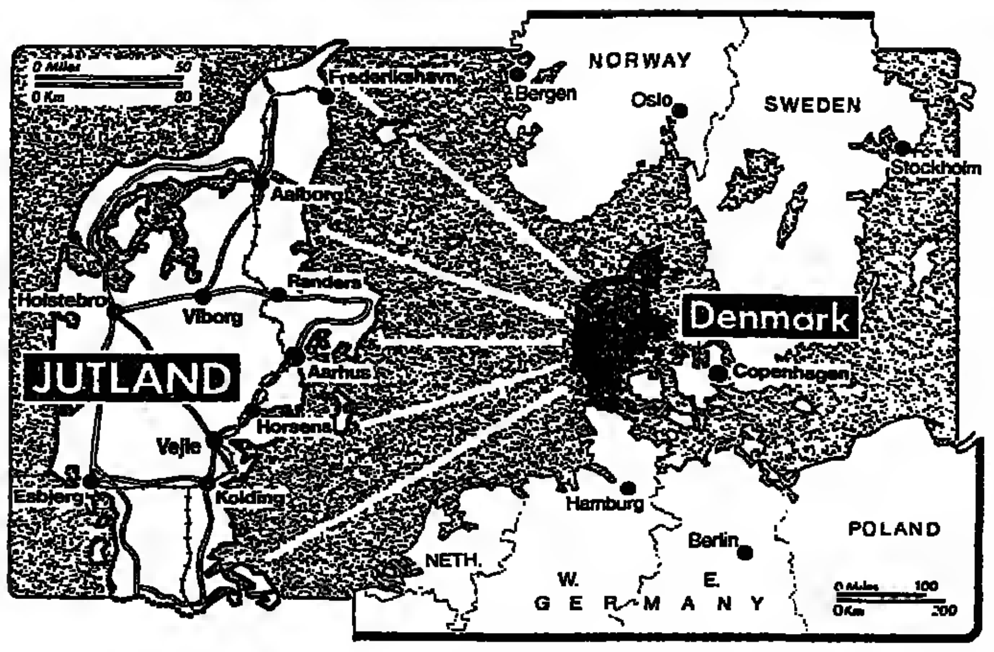
W.H. Smith, Reed Publishing and Blackrod had separate plans for a lifestyle channel. They have now agreed to combine their efforts.

Mr Francis Baron, managing director of W.H. Smith Cable Services, said yesterday that a priority would be to explore the possibility of the channel providing material for direct broadcasting by satellite (DBS) as well as cable.

FINANCIAL TIMES SURVEY
Tuesday January 15, 1985

Jutland

This former backwater region of Denmark has evolved into a dynamic growth area for industry, agriculture and fishing, building on factors such as high productivity and a dedicated band of individualistic entrepreneurs



Growth in Manufacturing 1973-83

	Companies	% change	Jobs	% change
Jutland	3,496	12	108,468	1.4
Rest of Denmark ...	3,075	−14	174,272	−29
Copenhagen area ...	1,275	−25	80,592	−37
Total	6,571	− 2	362,741	−16
Jutland share	53.2%	6.7	51.9%	9

Source: Danmarks Statistik.

Poor cousin makes good

JUTLAND has always been the poor cousin to the more fertile areas of Denmark and the business attractions of Copenhagen, the capital.

Little more than a century ago, large tracts of Jutland were semi-barren heath and dune from which a thinly scattered population scratched a meagre living from sheep and cattle. Many of today's flourishing towns and ports did not exist. Esbjerg, the west coast port and the country's fifth largest city, was not so much as a village in 1870.

Jutland began to develop when, in the final quarter of the last century, Danish agriculture became a main export industry, sending bacon, eggs and butter to the British market. Industrially, however, it lagged behind the Copenhagen area.

Jutland remains the most important region for production of meat and dairy products. Indeed, production is shifting steadily to Jutland, which accounts for 12 of the 15 main slaughterhouses and produces about 70 per cent of the country's milk.

More significantly, Jutland has emerged as by far the most dynamic area of industrial growth, while the Copenhagen area has gone into sharp decline.

In 1973, Jutland accounted for 43 per cent of national employment in manufacturing and 46 per cent of manufacturing companies. In 1983 this had risen to 52 per cent of employment and 53 per cent of companies.

Nationally, employment in manufacturing fell by 18 per cent between 1973 and 1983. But while manufacturing employment in Copenhagen fell by almost 40 per cent, there was a small increase—about 1.4 per cent—in industrial jobs in Jutland.

The Danish business climate in 1984 bordered on the euphoric because the policies of the government made it possible for industry to exploit the recovery. As Jutland is the most dynamic industrial area of Denmark, the optimism was especially evident there.

The government is a minority coalition of Conservatives, Liberals, Centre Democrats and Christian People's Party. It took office in the autumn of 1982 after a long period of Social Democrat administration.

Headed by Prime Minister Poul Schlüter, the Conservative leader, it was lucky to take office as the recovery began, but it has also made its own crucial contribution to improving the country's economic performance.

By suspending the widely-used system of indexing wages and salaries to consumer prices, the government has moved Denmark from a high-inflation to a low-inflation country. Hourly wage rates increased by about 4½ per cent in 1984, compared with 10 to 11 per cent a year prior to 1983, while consumer prices increased by about 6 per cent last year.

The government has also stopped the rise in real public expenditure which, in combination with new revenue-raising measures, has brought the budget deficit down from about 12 per cent of gross domestic product in 1982 to about 9 per cent last year.

The budget deficit and net foreign debt, which is nearing 40 per cent of GDP, remain serious problems. But there is no longer the feeling, as in 1982, that the country is on the verge of a financial abyss.

Among the consequences of the government's measures were a fall in yields in the bond market from around 22 per cent in the autumn of 1982 to between 13 and 14 per cent and the removal of the pressure for devaluation of the Krone.

The impact on performance in 1984 was dramatic. Industrial production increased by 9 to 10 per cent; investment in manufacturing, in real terms, provisionally increased by about 25 per cent, and exports of manufactures increased in value by about 19 per cent.

About 50,000 new jobs, a rise of some 3 per cent, were generated—virtually all in the private sector—and GDP increased in real terms by an estimated 4 to 4½ per cent, the fastest growth rate in Europe bar, possibly, Finland.

If there is one worrying feature of the recovery it is that the balance of payments, in deficit every year since 1963, went more heavily into deficit again in 1984.

The deficit for the year is expected to rise to about DKr 17 to 18bn from DKr 11bn in 1983. This has caused the central bank to tighten monetary policy, but the government has not taken new fiscal measures. It says the rising deficit is largely a result of inventory rebuilding and is thus temporary.

Unemployment

Whether the improved economic performance can be consolidated will depend on the outcome of this spring's collective wage negotiations. The government would like to see the rate of wage increases brought down to "as near zero as possible," Mr Schlüter said.

Continued recovery is perhaps of particular importance to Jutland, which has some of the country's highest unemployment rates but is at the same time the main area of industrial growth.

"We're what the sun belt is to the U.S.—except for the weather," one Jutland businessman said.

A study by Peter Maskell, of the Copenhagen University of Business and Commerce (Handelshojskolen) has provided further insight into the Juttish dynamism.

In the Copenhagen area, neither the establishment of new companies nor expansion by existing ones gave a net gain in the number of jobs. In Jutland there was a net gain on both counts.

The employment effect of the establishment of new companies with less than 50 employees was especially marked. So much for belief in the benefits of scale.

While virtually every sector of industry in Copenhagen lost jobs over the 1972-82 period, virtually every sector in Jutland scored a net gain. The exception was clothing and textiles, but even this industry came very close to maintaining the status quo—and the 1984 figures may well show that employment is back to the 1972-73 levels.

Some of the main factors in Jutland's industrial development are greater availability of labour (compared with the overcrowded Copenhagen area) which was shed by agriculture and fisheries; a wider choice of cheaper locations; and direct land routes to other parts of the Continent.

But there are also important differences in the business cultures of Jutland and the capital which may help to explain the region's industrial successes.

For example, Jutland has worked hard to attract industry, and the government has provided regional development aid to much of the peninsula. Copenhagen, on the other hand, has taken a nonchalant attitude to the loss of industrial jobs. "Good riddance" seems to be the prevailing attitude.

Copenhagen tends to be dominated by big companies, the largest banks, the insurance companies and the old-established bourse-listed corporations.

"It's a daughter-company culture," says Mr Tor Tolstrup, business editor of Jyllands Posten, the largest Jutland newspaper.

Jutland, however, is dominated by the culture of the self-made man. The stubborn independence of the Jutland *farmers* and *fishermen appears* to have been carried forward into the industrial age.

Morale

The great names of Jutland Industry—LEGO, the toy-makers Danfoss in temperature control equipment and hydraulics, and Grundfos for pumps—were each built up by one person. This is equally true of the fast-growing newcomers, such as Eletromatic, one of Jutland's largest electronics companies with a payroll of about 600.

Virtually all the companies in electronics, furniture, and clothing and textile industries are owned by one man or a family. Quite often, brothers and sisters from one family will each own and operate a company in keen competition with the others.

The morale of the labour force in Jutland is an important factor. Many workers come from farming and fishing families and they have not lost the habits of hard work, self-reliance and reliability. Productivity is high and absenteeism low.

As Mr Tolstrup pointed out, in the relatively small Jutland communities there is a close relationship between the companies, their employees and the local community, while in the capital there is a greater degree of alienation between the companies and the work force.

Jyllands Posten's history is an indicator of Jutland's growing self-confidence. Over the past 10 years, the paper's circulation has risen from about 70,000 to 110,000 a day, only slightly less than its main Copenhagen rivals.

The paper's expansion owes much to the business section, a pink-paper insert published six days a week. Started five years ago, the business section now provides the most comprehensive coverage of business news of any general daily.

Mr Tolstrup said that the success of the business section had much to do with the Jutland business culture. "The close relationship between the companies and the local community means that everyone reads the business section to see what is happening. In Copenhagen, the workers tend to think that the business pages are relevant only for the management."

Area:	
Jutland	29,800 sq km
Rest of Denmark	13,300 sq km
Population:	
Jutland	2.32m
Rest of Denmark	2.78m
Main Cities:	
Aarhus	248,700
Aalbörg	154,700
Esbjerg	80,400
Randers	61,700
(Copenhagen	486,300)

SURVEY WRITTEN BY HILARY BARNES

CONTENTS

Production survives cash crisis

Agriculture

Cultivated area	2.9m ha
Corn	1.7m ha
Output per ba (1984)	8,800 tonnes
Farms	95,100
Average size	29.7 ha
Farm jobs	146,700
Processing jobs	84,900
Cattle	2.8m
Herds (eows)	45,601
Pigs	9.2m
Herds	57,153
Exports (1983)	DKr 37.8bn
% of total exports	25.8
of wbich pigmeat	9.6
Beef	1.7
Dairy prodncts	8.6

DENMARK, as the country's industrialists bave tried to impress oo a disbelieving world for 20 years, is more an industrial than an agricultural economy but while only 6 per cent of the population works in agriculture, the farm sector remains a main export industry.

Agricultural products, including canned meat, powdered milk, sugar, furs and pelts, account for about 26 per cent of exports, which ranks Denmark ae one of Europe's largest exporters of agricultural products. The Danish farmers provide food enough for 15m people, three timee Denmark's population.

More than 30 per ceot of the exports go outside the EEC. Japan and the U.S. are important markets for pigmeat prodocts. Iran is the biggest market for cheese, taking about a quarter of exports and almost twice as mucb as the next customer, Germany.

Cheese has also overtaken butter as the main dairy export product, with exports exceeding 200,000 tonnes compared with about 80,000 tonnes of butter.

Danish farming went through a serious financial crisis at the beginning of the 1980s wben more farms were foreclosed than in the agricultural crisis of the 1930s. The crisis was caused by rising Danish mortgage interest rates—which peaked at 21 to 22 per cent in the autumn of 1982—combined with falling property prices and relatively modest EEC agricultural price increases.

The effects of the crisis were severe in Jutland, where a couple of drought years bad already weakened the finances of farme on the poor, sandy soile of the west.

The most striking thing about the crisis, however, was that it had virtually no effect on production. The hankrupt farms were absorbed by others the average size of herds increased aod the slack which might have arisen from the foreclosures against several thousand was immediately taken up. There was a slight dip in milk production, but pig production went on increasing steadily.

Under the EEC Common Agricultural Policy regime for dairying, milk and dairy production cannot increase in the coming years. But milk production has remained stable at about the same level in Denmark for at least 30 years. It is not the Danes who have caused the milk surplus.

Any significant increase in exports will therefore depend on the ability of the industry to cash in on the sale of agricultural and agri-technical know-how rather than more butter and cheese.

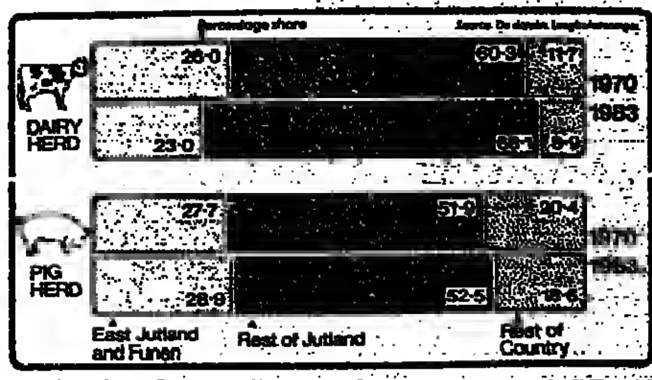
The pig producers are more hopeful. The 15 main slaughterhouses, which include such names in export markets as Tulip, Danish Crown and Celebrity, recently published a DKr 2.3bn five-year investment programme, one of the biggest ever undertaken by Danish industry.

The programme is heavily geared to improving production technology in order to increase processing and raise edded value. The elaughterhouses say the main markets for new products will be the U.S., Japan and other overseas markets rather than the EEC.

The plan envisages an increase in pig prodnction from DKr 14.7m in 1984 to DKr 18.2m in 1989.

Denmark bas achieved its success as an exporter of agricultural products by producing high quality goods under conditions and with equipment which can meet the most stringent demands of the veterinary and food inspection authorities of countries such as the U.S. and Japan, not to mention Europe.

The requirements of the processing industries have lead to the development of a sizeable and technologically-advanced industry for the production of equipment, and these have in turn generated a substantial export business, both for hardware and know-how.



Most of the milk and milk products produced in the Arahian peninsula today come from dairies built by either Danish Turnkey Dairies (a subsidiary of De Danske Sukkerfabrikker) or the Danish Dairy Development Corporation, which is owned by Danish farmers through the Danish Dairy Federation. Both have head offices in Aarhus.

Dairy equipment manufacturers Pasilac, based in Silkeborg in mid-Jutland, which is another member of the Danish Sugar family, has achieved some important export successes in the past few years as well. This has enabled the company, which was in the doldrums in the mid-1970s, to start to expand strongly.

Pasilac

Pasilac owes its recent success to two technological innovations. The first was the development by another member of the Danish Sugar family of companies of ultra-filtration techniques by a process known as reverse osmosis. The second was the use of this technique by a small privately-owned dairy (the big co-operative dairies did not initially sbow interest) to make feta cheese from cows-milk. Feta is a semi-bard cheese traditionally made from sheep-milk and is a stabie part of the diet in the Balkans and the Middle East.

Pasilac delivered the first equipment for making feta cheese using ultra-filtration technology and it claims that it has been able to keep ahead of the International competition since Feta cbeese, meanwhile, bas become one of Denmark's most important export products, with a valne in 1984 of almost DKr 2bn.

Membrane filtration technology is used for two processes in dairying: to reduce the water-content in milk, whey and other fluids, and for the separation and fractionating of fluids. The technique is used in making cheese and also for extractien of protein powder from whey, and alcohol from the remaining fluid wastes.

In additien to giving an optimal production the waste product is clean water with virtually no protein content, which is an important environmental factor.

Pasilac's breakthrough came when it won a contract to supply the equipment for a $83m dairy in California. This was designed to process a daily input of 1.1m litres of milk (the yield from 50,000 cows) to produce annually 40m kilograms of cheese, 2m kg of butter, 2.5m kg of protein powder and 2.2m gallons of alcohol.

Last year a new contract for a dairy of a similar capacity in Little Falls, Minnesota, was signed and Pasilac hopes for a further contract in Wisconsin. It is also completing negotiations for supplying equipment for a large dairy near Moscow.

Uncertain future as big N. Sea project finished

Oil and Gas

THE development of Danish offshore oil and gas resources in the North Sea has contributed to establishing the industrial importance of Jutland. The west coast city of Esbjerg, associated more especially with container and passenger ferry traffic between Denmark and the UK, acts as Denmark's offshore base.

Last year was a significant one for the Danish offshore industry. The country's biggest single energy project, a DKr 25bn ($2.23bn) project to extract and distribute gas from the North Sea to Danish homes and industry, was completed, with the gas coming on stream last October. This, together with a new round of licences to explore for hydrocarbons, innangurated a new era.

Until last year, there was only one licence holder for all the Danish onshore and offshore areas, the A. P. Moller shipping and industrial gronp, which operated its licence rights in the North Sea through the Danish Underground Consortium (DUC) together with Sbell, Texaco and Standard Oil of California.

Moller was forced by political pressure to relinquisb almost all the area to which the company received a 50-year exclusive licence in 1962, making way last year for what is known as the first licensing round, when seven consortia received licences. Four of them, headed by Britoil, BP, Amoco and Phillips, were awarded licences in the North Sea.

Moller was the first both to discover oil in the North Sea in the 1960s and to produce oil in the North Sea when the Dan Field came on stream in 1972. However, the first major opportunities for Danisb industry at large arose with Denmark's natural gas project, decided in 1979.

The oil and gas finds which either have heen or are being developed will supply about a third of Denmark's energy needs in the later years of this decade. But with the completion of the gas project the prospects for the offsbore industries remain uncertain.

There is only one major development project in the Nortb Sea at the moment—a DKr 4bn programme to provide new production platforms for the Dan Field oil field—and the first important contracts, jackets and piles for three new platforms, went to Japan.

School

The future depends on what the new licencees discover and it will be four or five years, at least, before there are any major new projects. Britoil, however, which has established its Danish headquarters in Esbjerg, got off to a fast start, spudding its first well in November.

There are between 1,500 and 2,000 people in Esbjerg directly involved in the offshore business, including about 450 wbo work for A. P. Moller's Maersk Oil and Gas offshore supply centre and the staff of Maersk Air, which at the end of last year opened an air route between Esbjerg and Southend in Britain.

There are about 200 foreign families in Esbjerg connected with the offshore business, according to Mr A. Holm Jensen, general manager of Varde Bank, the biggest of the Esbjerg banks, which publishes an offsbore newsletter. A small international scbool has been started for the children of these families.

Among the local businessmen to have carved out a niche for themselves from the offshore activities, none has been more successful than Mr Henning Kruuse, founder-owner of Esbjerg Oil Field Services.

Mr Kruuse struck out on his own in 1980, after managing the Maersk offshore base for several years. He immediately won a contract, together with Fred Olsen, of Norway, for the hook-up on the Gorm Field. This gave Oil Field Services a first year turnover of DKr 60m and a net profit of DKr 9m. In 1982 he followed with a DKr 200m contract for the hook-up on the Tyra gas field.

Volund

He now owns two small shipyards in Eshjerg, has a half share with shipping company DFDS in a new Esbjerg offsbore supply base, e West Coast offshore Base and other offshore associated interests.

Another Esbjerg company to make a successful entry to the world of offsbore business is Volund Energiteknik, a member of the Volund group of companies. Volund Energiteknik has supplied helidecks, connecting bridges, platform topside facilities and 1,200 tonnes of piping for a gas treatment plant.

Combustion equipment and boilers for power generation are Volund'e main business and these will benefit from Volund'a offshore experience, said managing director Soeren Vinther. "The extremely high standards required in offshore work has raised the level of our technology," he says.

Aalborg Shipyard is the Jntland company most beavily involved in offsbore business. It supplied four modules—two accommodation, a processing and a utilities module—for the Tyra gas field.

With the lull in contracting in the Danish sector, the yard is boping that its experience with the Tyra modules will enable it to obtain work in the Norwegian and British sectors. It will also be tendering for modules for the new Dan Field platform this year.

Lining up an edge

JUTLAND TELEPHONE is one of four regional telephone companies eperating in Denmark. They are all owned by the Government and they do not compete for traffic.

But they compete in the technical field, especially Jntland and Copenhagen Telephone. Neither can claim to be ahead of the ether for long—bnt recently Jntland may bave bad an edge.

Among its bome-grown innovatiens are:

● DCon, a digital concentrator, which is a very small and powerful exehange. It is able to concentrate 460 subseribers into 60 lines and it interfaces with the ITT and Eriesson digital switehing equipment whieb is being introdneed.

The eoncentrator, developed witb Bang and Olufsen, means that the telephone company can make better use of lines and saves investment in new lines.

● Docat is a digital optical cable trunk network system, developed by the Danish Technical University from an idea hatched by Jutland Telephone, and realised by the electro-technical companies NKT, RE Instruments and Areodan.

Docat is a hardware package for encoding signals for digital transmissien through optical fibre lines without signal degradation. It has been sold to Switzerland, Sweden and Finland.

● Jntland Telephone's computerised directory enquiry system is used hy all feur Danish companies as well as Michigan Bell and New York Telepbone Company in the U.S.

Searching for foreign funds

Investment

DENMARK has a number of attractions for foreign companies wishing to invest. The political situation is stable, labour relations are generally harmonious, there is an absence of government ownership in the industrial sector (the railways, electricity utilities and telephone companies are the main and almost the only exceptions), and the country boasts a reliable and well-educated labour force.

In addition to these benefits, Jutland can add financial inducements through regional development programmes, wage rates which are 10-16 per cent lower than in the capital, cheaper industrial sites and greater availability of labour. This is because agriculture and fisheries are still shedding labour and because unemployment is on average rather higher in Jutland than in the Copenhagen area.

An important factor in Jutland's favour, too, is that it wants foreign as well as Danish investment in its industries and works hard to attract it through the work of the industrial development committees set up by most of the counties and the bigger towns.

There are few obvious drawbacks to Jutland as compared with the Copenhagen area, other than the greater cultural attractions of the capital.

The infra-structure in Jutland is as good as anywhere else. Aarhus, the east coast city and the largest in Jutland, has long ago outstripped Copenhagen as the country's biggest port, handling about 47 per cent of the goods exported from Denmark, compared with 17 per cent from Copenhagen (the rest going mainly by road and rail).

Jutland's direct road links to the Continent and good connections to Britain from Esbjerg, the west coast port, are other advantages Jutland can offer. Most of its international air links go through Copenhagen, however, to the irritation of Jutland businessmen.

About half the area of Jutland, the northernmost third and the west coast and the southwest corner, qualifies for regional development aid, administered by the Regional Development Agency (Egnsudviklingsdirektorat) in Silkeborg, mid-Jutland.

The northern and the south-western areas qualify for aid on the most favourable terms, which include cash grants of up to 25 per cent of the investment cost.

Grants

All the areas designated for regional development aid qualify for long-term loans on favourable terms (20 years for buildings, 10 years for machinery and equipment) with interest rates of 7½ per cent, which is just over half the market interest rate. Building sites can be developed with 100 per cent financing at the same rate.

Most local authorities have used regional aid funds, or are prepared to use them on demand, to construct industrial buildings for lease to companies on easy terms.

Grants are available for moving staff to new locations in the designated areas and for training the labour force in the skills required by the new companies.

In the most-favoured regional development areas, about 90 per cent of investment costs can usually be financed through the aid programme, halving the cost as compared with an investment made on normal terms, according to the North Jutland Industrial Development Committee.

The main east coast region of Jutland is not eligible for regional development aid, but firms with fewer than 75 employees can obtain finance either for establishment or expansion on easy terms from the Finance Institute for Industry and Crafts under the Government programme for encouraging small businesses.

Bid to reverse capital flow

Banking

ONE of the most intriguing attempts to tip Denmark's economy in Jutland's favour is being carried out by Jyske Bank, a brash newcomer to the big league Danish banks which has irritated the more staid banks.

Typical of Jyske Bank's flamboyance—some would say impertinence—was an advertising campaign in 1984 in which it claimed to be the "world's best bank." The phrase was not in fact the bank's. It was lifted from a business magazine, which had used it in connection with an international list of banks by return on capital which showed Jyske Bank at the top with a return in 1983 of 97 per cent.

Jyske Bank, however, is only a small part of the Jutland banking scene, for Denmark is notable for the large numbers of banks and savings banks. There is a total of about 80 commercial banks and over 150 savings banks to serve a population of 5.1m.

At the top of the pyramid are the big Copenhagen banks, Danske Bank, Copenhagen Handelsbank, Privatbanken, SDS (the largest of the savings banks), Andelsbanken, Bikuben (another savings bank), and Provinsbanken, a Jutland-based bank with its headquarters in Aarhus.

Prosperous

These are supplemented by regional banks, which in Jutland include Varde Bank, of Esbjerg, serving the fishing industry, the Esbjerg-based offshore industry and west coast farming; Midtbank, of Herning, serving the clothing and textile industry; Nordregionernes Bank, of Alborg; Sydbank, of Sønderborg in the south; and Aktivbank, serving the Vejle-Fredercia-Kolding area of east Jutland.

At the base of the pyramid are the local town banks, often very prosperous, the strength of which is their ability to take a quick decision and their detailed knowledge of local people and businesses.

When fishermen in Esbjerg go to Varde Bank for financing for a new trawler, for example, the bank knows exactly who it is dealing with: the manager of the branch in the fishing port is in the auction hall at seven o'clock every morning to see who catches what and how often. The efficient and hard-working are sure of the bank's support.

After a big shake-out in the 1960s, when the number of banks was halved, the banking structure seems to have reached a stable condition. There are occasional mergers and acquisitions, but there is no sign of a major reorganisation.

Jyske Bank, which has its headquarters in the mid-Jutland town of Silkeborg, centre of the Jutland timber trade and secondhand car dealing, moved from being a regional bank to become one of the six biggest banks with a nation-wide branch network four years ago when it took over Finansbaken. Jyske Bank now has 140 branches.

The bank's nation-wide status does not mean that it aspires to join the club of Copenhagen banks, however.

"We are a Jutland bank. Our roots are in Jutland," said Mr Poul Norup, chief general manager. "What we are trying to do, so far as possible, is to reverse the traditional flow of funds from Jutland to Copenhagen.

"There's a sea of banks in Copenhagen whose business is built on money which comes from the provinces. We are using our banks in the Copenhaken area, where we have several hundred thousand depositors, to attract deposits as the basis for lending to our Jutland customers.

"We are able to achieve this by offering attractive deposit terms while holding down our costs."

Costs in relation to operating profits (before depreciation and provisions) have in normal years been held to under 50 per cent. In many other banks the ratio is 60 or 70 per cent.

The bank is growing fast and gaining market share. In 1983 it increased its balance sheet total advances and deposits almost twice as fast as the average. The figures for 1984 will show further progress.

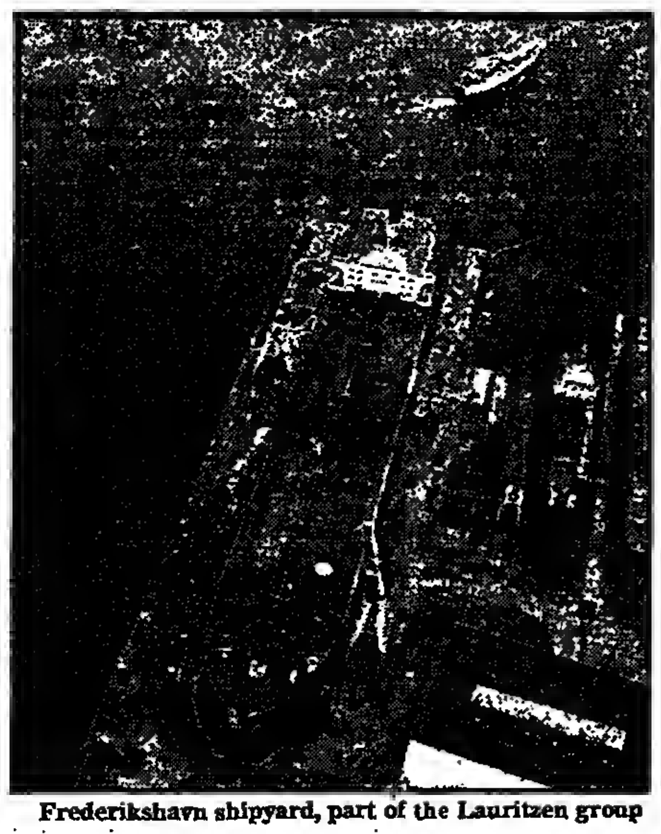
Its uninhibited competitive style and lack of respect for the big Copenhagen banks has caused a certain irritation in the capital, partly because it gives public expression to the view that there is no good reason why the big three Copenhagen banks should always provide the chairman of the Bankers Association or have a monopoly of the profitable business of ararnging the Government's foreign loans.

The bank's go-it-alone approach and innovations have sometimes left the other banks feeling distinctly sour. A case in point was a 1983 agreement with the Post Office giro system giving Jyske Bank customers the right to draw money at any of the country's 1,300 post offices.

The special circumstances which enabled the bank to make a 97 per cent return on equity in 1983 were not repeated in 1984, but Mr Norup feels that the bank has excellent prospects for continuing its recent rapid growth.

Its capital base is strong (the ratio of equity capital to deposits and guarantees is about 9 per cent against the Danish legal minimum of 8 per cent) and in relation to the balance sheet, its lending portfolio is smaller (for historical reasons which go back to the structure of Finansbank) than in most other banks.

This gives it a correspondingly wider margin for expanding its advances—for the benefit of Jutland business.



Frederikshavn shipyard, part of the Lauritzen group

Tax benefits cut may hit yards

Shipbuilding

THE relatively healthy state of the Danish shipbuilding industry, which has slimmed its labour force from about 17,000 in 1975 to about 11,000 today, is reflected in the fact that two of the biggest Jutland yards, the Aalborg and Frederikshavn yards, are not only profitable, but sufficiently profitable to run profit-sharing schemes.

Workers at Frederikshavn received a bonus out of profits in 1984, on the basis of 1983 results, of DKr 9,200 each ($820).

But the future of the Danish shipyards has become more uncertain than at any time for several years following the decision of the Folketing (Parliament) in December to put a stop to one of the most widely used methods of financing ships built at Danish yards. This decision was taken on the grounds that the method was being used as a tax dodge by thousands of Danish investors.

Virtually all the ships currently on order at Danish shipyards are being built for general partnerships of up to several thousand owner-investors. The part-investment in a ship can be written off at 30 per cent a year for income tax purposes, while the ships are usually financed over 10 years or more. The whole of the commitment can be written off although investors usually make a down-payments of only 20-25 per cent of their total commitment, so there is a very substantial cash-flow benefit to be obtained.

The smaller ships are often operated by the general partnerships, but the larger ships are leased on long-term contracts to the shipping companies which have placed the orders.

The exchequer was losing so much tax money from these schemes, however, that they have been stopped. It remains to be seen whether the yards will be able to find new customers, and to develop new methods of financing orders, when their current order books expire.

It can be argued that the tax-shelter general partnership system was in itself a form of Government subsidy, but the Danish yards do not receive any direct state subsidies (they can raise finance from the Government on OECD-approved terms of up to 80 per cent of the contract price at 8 per cent over 8½ years). Nor have they ever asked for direct subsidies.

In the absence of subsidies, the Danish yards have nevertheless made enough money in recent years to maintain investment in modern equipment.

Productivity is high, but not high enough to enable them to compete with the Far Eastern yards for the cruder and simpler kinds of ships and they have, therefore, specialised in more sophisticated types of vessel.

Aalborg Shipyard, which in addition to shipbuilding has a marine and industrial boiler division and an offshore division, specialises in passenger vessels.

It is currently fitting out a 45,000 grt (Gross Registered Tonnes) cruise liner for Carnival Cruise Lines, Florida shipping magnate Ted Arison's company. The ship is slightly bigger than the Royal Princess, recently delivered to P & O by the Finnish Wärtsilä yard, but it will itself be pipped—by three metres length—when Kockums, of Malmö in Sweden, completes a sister ship for Carnival Cruise Lines.

Aalborg, which employs about 3,200 and made a pre-tax profit in 1983 of DKr 78m on a turnover of DKr 1.5bn, has included a car-rail ferry for New Zealand Railways and a combined bulk carrier and training ship for the Philippines among recent new buildings.

Optimistic

It acquired a DKr 820m order for three refrigerated vessels for the Soviet Union last year for delivery in 1986, but needs a new cruise liner order within the next few months if it is to maintain employment at its present level through 1986 and 1987. With plenty of life in the cruise market, Mr Jensen is optimistic.

Frederikshavn Shipyard, with about 1,200 employees, a turnover of about DKr 600m and pre-tax profits of DKr 39m in 1983, has a long-established connection with the Danish Navy, but its recent programme has been almost entirely civilian, including tug and anchor-handling vessels for the offshore business, fisheries inspection and patrol boats and refrigerated cargo vessels.

Its speciality, however, is series-built roll-on, roll-off vessels of up to 14,000 dwt. Most of these ships have been built for the Danish Mercandia Shipping Company using the general partnership tax-break investments. The order book currently includes 10 such vessels with the final delivery date in June 1987, "the world's longest order book."

The Dannebrog yard in Aarhus a member of the bourse-listed Dannebrog shipping and electronics group, employs about 700 people. Its production programme has recently included offshore supply vessels, cement carriers, coastguard, fisheries inspection and fisheries survey vessels.

Great names...

INDUSTRY CAME relatively late to Denmark, and later still to Jutland. This helps explain why some of its greatest industrial names are still closely identified with the men who founded them.

These include Danfoss, producing compoaents for temperature cootrol, hydraulics and electric motor speed controls; LEGO, the toy company; Grundfos, making pumps; and Bang & Olufsen, television and audio equipment.

These companies have many common characteristics. They all grew from the technical genius and entrepreneurial vision of one or two men. They share a commitment to excellence within a narrowly defined product range. They have a tight-knit ownership structure which leaves little scope for dilution through share issues to the public. Finally, there are strong loyalties between the companies, their workers and the small communities of which they are a part.

These characteristics are not limited to older companies. A generation of younger ones share many of them and may one day rival the size and prestige of today's greatest names.

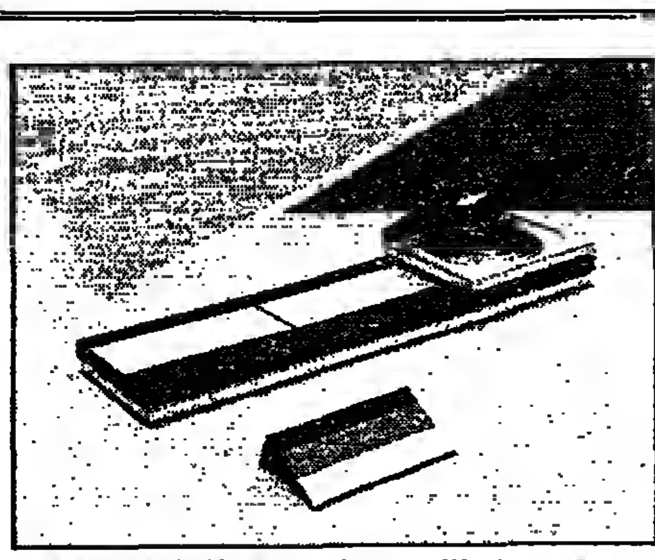
One such aspiring company is Electromatic, an electronics manufacturer founded and owned by Mr Mogens Kjeldsen. It has shown exceptional growth over the past few years, and as Mr Kjeldsen is only 52 he still has time to see the company mature into ooe of Jutland's leading concerns.

Bang & Olufsen, founded in 1925, is the only one of these companies to have a stock exchange listing (of B shares). The financial strength of the others is such that they have never needed to go to the market for equity capital. B & O is also perhaps the one which has passed furthest from the direct influence of its founders.

Danfoss, founded by Mr Mads Clausen in 1933 when he invented an expansion valve for refrigerators in the attic of his parents' farmhouse, is owned by a foundation. But the chairman is Mr Andreas Jepson, one of the first employees taken on by Mr Clausen.

LEGO is owned and managed by Mr Godtfred Kirk Christiansen and Mr Kjeld Kirk Kristiansen, son and grandson respectively of the founder, in spite of the difference in the way they spell their names.

Grundfos is owned and managed by Mr Niels Due Jensen, son of the founder, Mr Poul Due Jensen.



Some Bang & Olufsen designs qualify for museum displays, while LEGO kits (below) are being used for teaching in schools

BANG & OLUFSEN

Designing a niche in sound markets

BANG & OLUFSEN employs about 3,000 people, mainly in Struer, the north-west Jutland town in which the firm was started in 1925. It is small by standards of most international producers of television and audio equipment, but it has established itself as a world name by carving out a niche as a high quality producer with superb designs.

About a dozen of its products are in the collection of the New York Museum of Modern Art.

Its strategy, however, is not to be at the forefront in the development of new technology. "We concentrate on conceptualisation, utilising technology developed by others for the benefit of consumers," said managing director Mr Vagn Andersen.

"We don't develop technology; we buy it."

But B & O has a strong record in introducing new technology to consumers, including the first fully-transistorised mains radio in 1964, and the first record player with a tangential arm in 1972.

In 1983 it launched its Beomaster 5000 audio system which, alone on the market, gives control over a central hi-fi unit with tapes, records, compact discs, and up to nine pre-set radio channels from any room in a house. The system has been such a success with hi-fi buffs that, owing to component shortages last winter, production was not able to keep up with demand.

Audio products account for about 40 per cent of sales, which totalled DKr 1.54 in 1983-84, video products for about half, and other products for the remaining 10 per cent. But the share of video products will rise in the next few years.

This spring B & O will bring on stream a new, highly automated, DKr 40m television factory. "This is a tiger spring forward. It will increase our production capacity for television sets by about 60 per cent from 130,000 to 200,000 sets a year," Mr Andersen said.

B & O, which competes in a market in which hundreds of manufacturers have gone out of business over the past 25 years, has never been a big money spinner. Pre-tax profits as a margin on sales have rarely risen above 1½ to 2 per cent. It has, nevertheless, managed to earn enough to finance heavy research and development and rationalisation of production.

In the autumn of 1983, B & O raised DKr 136m through an issue of B shares, but having predicted in the prospectus that earnings in 1983-84 would increase to DKr 45m, blotted its copy-book by making only DKr 20m.

The poor result was attributed to component shortages, misjudgement of the yen exchange rate, higher-than-expected costs for introducing new products, and extraordinary expenditures on establishing a sales subsidiary in Germany.

Sales this year are expected to develop strongly, not least because the component shortage problems have been overcome, but earnings are not expected to improve significantly. The group's heavy programme of investment, however—DKr 200m in 1984-85 — is expected to begin to pay-off in 1986-87, Mr Andersen said.

GRUNDFOS

Stainless steel strength

IN THE lobby at the Bjerringbro headquarters of Grundfos, which produces twice as many circulation pumps as its nearest rival in world markets, there is a chart which helps to explain how the Jutland company has achieved this strong position.

One curve depicts the 246 per cent rise in costs of wages and raw materials from 1960 to 1983. The other shows the increase in the price of the pump—by 32 per cent.

Over the same period, the size of the pump has been halved, its weight cut from 12 to 4 kilograms and its capacity increased.

"We can only continue to survive by developing new generations of pumps and by rationalising production," said Mr Niels Due Jensen, the chairman.

Out of a Danish staff of about 2,900, some 200 to 300 are engaged on research and development, which claims 5 per cent of sales revenues, he said.

Mr Poul Due Jensen, a machinist, developed his first pump in 1946. Since when Grundfos has never looked back. Its strength has come from Mr Poul Due Jensen's ability to machine stainless steel for pump components—the ideal, corrosion-resistant product, but difficult to work with.

Today, many of Grundfos's pumps are made entirely of stainless steel, including most of its submersible pumps.

About 90 per cent of Grundfos's sales, which totalled DKr 2.1bn in 1983-84, are in the OECD countries including the U.S., where Grunfos has a production company and a strong position in the market for circulation pumps.

This however, is to the chagrin of Mr Jorgen Madsen, marketing director, because one of Grundfos's recent innovations is a solar-powered submersion pump. This can be used to pump water in areas of the developing countries where there is no infrastructure, normal supplies of electricity or diesel fuel.

"It is particularly galling to see the scenes of starvation in Africa when I know how much we could do to solve the problems," he said.

"But in Africa they lack the money to buy the pumps because they are unable to sell their raw materials to us. Africa should become the larder of Europe, enabling them to invest in our products."

Another addition to the Grundfos family of pumps is a so-called "intelligent" circulation pump for heating systems. This measures the temperature of the water returning to the system and adjusts the pressure, which saves energy.

LEGO GROUP

Plastic bricks built into a household name

TWO PRODUCTS of Danish industry are a household name almost all over the world. One is well-known brand of lager; the other is Lego, the plastic toy construction kits, produced by the Lego group based at Billund, mid-Jutland.

In several European countries 80 per cent or more families with children under 14 have Lego kits. But in the past couple of years the U.S. has taken over as the most important market.

It is likely to be Lego's main source of sales expansion in the next few years, especially after a successful joint promotion of Lego products with the McDonalds hamburger chain last autumn. Some 25m sets were distributed which, according to Mr Per Ambeck Madsen, Lego's information manager, means that 35 to 40 per cent of U.S. families with children now had a kit.

As a tribute to Lego's quality control, there were only 14 complaints from consumers following the distribution of the 25m kits.

The other main area for expansion will be Asia. This year LEGO is starting a manufacturing company in South Korea with Kong-Yung (CO Prosperity), a Korean company.

From modest beginnings making wooden toys in the 1930s, LEGO has grown into a group with a world-wide total of 4,200 employees. About 2,000 work in Denmark and 500 in associated activities.

The core of the group is the Danish production company, LEGO System, in which 75 per cent of the shares are owned by INTERLEGO, a Swiss holding company, and the other 25 per cent by Kirkbi, a Danish holding company.

There is a production company in Switzerland, as well as machine-tool factories in Switzerland and Germany.

Relatively little financial information is available about the LEGO group, but it is understood that its worldwide sales exceed DKr 4bn, with LEGO System accounting, in 1983-84 for about DKr 1.3bn.

LEGO began to take off in the 1950s with the development and perfection of the stud-and-socket plastic brick, which is the basic unit in the construction kits. It has shown a flair for developing and marketing kits for a wide range of age groups, from big-brick DUPLO sets for small children to highly sophisticated sets for older ones.

A model under development by LEGO UK is a robot which can be controlled by a home computer.

The group has also had the financial strength to hold out in difficult markets. In the U.S. for example, it relied on a distributor until 1972. Then it set up a sales company, established a packaging business in 1978 and finally a manufacturing operation in 1982. But it took 10 years before the U.S. market became profitable, according to Mr Ambeck Madsen.

LEGO has experienced few setback, but one took place in 1982. Christmas sales were hit by the electronic toy craze and 240 employees were dismissed in the spring of 1983. Subsequent sales have developed satisfactorily and employment has gradually been restored close to its 1982 level.

DANFOSS

High-value output pumped up

DANFOSS, with its headquarters at Nordborg on the island of Als, South Jutland, is Denmark's biggest manufacturing company with a world-wide payroll of 12,600, some 8,800 in Denmark, and sales revenues in its latest fiscal year of DKr 4.73bn.

Exports account for more than 90 per cent of turnover. It has production companies in the U.S., Canada, the UK, Germany, Sweden and Japan as well as in Denmark, and sales subsidiaries in 15 countries. Its products are also distributed in another 90 countries.

From production of expansion valves, and later compressors, for refrigerators in the 1930s, Danfoss's product range has gradually expanded to some 300 basic products, many produced in several variations.

Products include compressors and thermostats, automatic controls for refrigeration plants, industrial automatics, motor speed controls, automatic controls for air-conditioning and heating systems, components for burners and boilers and hydraulic components for agricultural and industrial machinery.

From the start, however, Danfoss has never departed from its basic product strategy, which is to produce components for its industrial customers, not systems which might compete with the products of its customers.

Another main principle is to produce products with a high added value. "We are a high-cost country, so our strategy is to make products with a high knowledge input, in which we can compete," said Mr Harald Agerley, managing director.

Investment

A skilled labour force, which has a positive attitude to new technology and good labour relations were other basic factors behind Danfoss's success, he said. In 1984, however, Danfoss was hit by a serious strike — the first major dispute in its history — among unskilled workers. Its origins lay in problems of technical change.

Investment is traditionally very high at Danfoss—about 8 per cent of turnover—although over the past two or three years it has been rather lower because of over-investment in new production capacity in 1979-80. In the 1983-84 fiscal year, investment totalled about DKr 260m.

Mr Mads Clausen appointed his first development designer in 1940. The company now has about 700 graduate engineers on its Danish staff, 450 engaged in product development and design. One of their main jobs is to maintain close links with customers.

"We are deeply involved in applications engineering — trying to understand the customer's problems and requirements," said Mr Agerley. To compensate for the relatively isolated environment of Nordborg, large numbers of Danfoss engineers travel to international trade fairs and conferences.

About 80 per cent of Danfoss sales are in Europe. Growth here is expected to remain moderate and the main expansion will take place in North America and the Third World. Two product groups have particularly good growth prospects, electric motor drives and speed controls and hydraulic components, according to Mr Agerley.

ELECTROMATIC

Growth engineered by electrical genius

WHILE SALES by the four big companies have developed rapidly over the past decade, their Danish labour force in the past few years has not expanded much, and is not expected to. This is not the case with Electromatic, based in Hadsten, north of Aarhus. Although a pygmy among the Jutland giants, it is in a phase of very rapid growth.

The company was founded in 1956 by Mr Mogens Kjeldsen. He left school at 14 and has had no formal further education, but he has a genius for electrical engineering. By 1974 his sales were Dkr 20m.

Sales in 1983-84 were DKr 337m and are expected to increase by 34 per cent to DKr 450m this year. Earnings growth has matched sales, so expansion has been achieved without a depletion of financial strength. In 1982-83 (figures for last year are not available), the ratio of equity capital to assets was about 33 per cent.

Employment in 1984 totalled about 650 and is expected to climb to about 800 in 1985, when a new 6,000 sq metre factory will be opened, representing a 50 per cent increase of factory floorspace.

Electromatic produces industrial electronics products for measurement, control, surveillance and automation. Apart from a small casings factory in Malta, all production is in Denmark. It has 13 sales subsidiaries in Europe, the U.S. and Canada.

Mr Kjeldsen has moved to France to free himself from the daily running of the company and to be able to concentrate on the development of new products and ideas.

The new factory will be devoted to the production to one of his brain-children, an ingenious two-wire monitoring and control system for use over long distances. Its advantages become apparent in an example of installation in an old hotel, according to Mr Per Ebstrup, the managing director.

The system transmits and monitors up to 128 information inputs. In a hotel, it might monitor hotel room temperatures, lights, doors (electronic locks, operated by a variable code, so no more key problems), all using the existing cable system.

... and the small

DANISH INDUSTRY is a hive of small businesses. Big companies are few and far between — and they are often conglomerates of small companies.

There were only 83 industrial companies in 1983 with more than 500 employees—eight fewer than in 1974—and they accounted for a relatively modest 25 per cent of industrial employment.

The main big-business industries are shipbuilding, food processing — in which co-operative dairies and meat-processing operators dominate — and the chemical industry. But there is a large undergrowth of small businesses even in these industries.

Size is no particular advantage in the eyes of most Danish industrialists. They were among the first to develop the now-fashionable "niche" philosophy, the concept of the small firm producing a specialised product which has a large share of a small market.

Smallness has other advantages. Labour relations are nearly always excellent and companies are extremely flexible, able to adapt rapidly to new market opportunities.

Smallness may explain why one or two surprising trends have emerged in Danish industry over the past decade.

Denmark has its share of high-tech especially in the instrument industry, which has doubled output since 1975. But an analysis by the government-financed Economic Advisory Council last year showed that relative to other European countries, Danish industry is not technology intensive.

Instead of concentrating on producing high-tech products, traditional industries have invested heavily in high-tech production equipment.

Among the surprising consequences are that the clothing and textile industry, considered by almost everyone a decade ago as doomed, has maintained its labour force almost unchanged and increased production and exports.

The furniture industry, no one's growth favourite 10 or 15 years ago, has increased output by 56 per cent since 1975.

FURNITURE

Outgrowing a craft tradition

DANISH MODERN became a by-word for good furniture design in the post-war world. It was a reputation built on a happy combination of two factors—a group of brilliant architect-designers and a strong craft tradition—which ensured workmanship of a high quality.

Several of the designers of the period, Arne Jacobsen (the egg chair), Kaare Klint, Hans Wegner, and Borge Mogensen, produced furniture regarded as modern classics.

But in spite of its great reputation, furniture accounted for only about 1 per cent of Danish exports in the 1950s and early 1960s.

Since then things have moved. In the first half of 1984, furniture accounted for about 5 per cent of exports, increasing by 33 per cent from the same period in 1983. With about a third of furniture exports going to the U.S., the strength of the dollar was clearly an important factor, but not the only one.

The furniture industry has been expanding fast for a decade. From 1975 to 1983, output increased by 56 per cent. Only one industry had a better record—the instrument industry, which doubled output.

In the first eight months of 1984, output of furniture increased by 26 per cent from the same period in 1983. Exports from 1975 to 1984 increased from DKr 2.4bn to DKr 6bn.

	1983 (DKr bn)
Production value	6.38
Seating	2.00
Wall systems	1.48
Export value	4.40
Share of total exports	4.40
Main export markets	
U.S.	1.10
West Germany	0.80
Norway	0.60
UK	0.50

The furniture industry owes a great deal to the pioneers of "Danish modern," but it has also outgrown the craft-based industry of the 1950s, according to Mr Niels Jespersen, owner and manager of Jasper International Furniture and associated companies, at Herning, near Aarhus.

"The industry has been industrialised, while at the same time the sales and marketing people have understood how to utilise goodwill developed by the craft industry," he said.

Many of the businesses were most successful 10 and 20 years ago have either disappeared or faced a painful period of readjustment to new conditions in the industry.

"The companies which characterise the industry today are relatively big and relatively few. They are no longer architect-dominated, but we retain very high design standards and excellent product quality — much higher per dollar spent by the consumer than American-produced furniture," Mr Jespersen said.

Jesper International and its production companies, Hugo Jespersen and Jesper Furniture, with a group turnover in 1983-84 of DKr 190m and 230 employees, is one of the companies which has achieved prominance by adapting to the new conditions.

Eight years ago Jesper was selling exclusively to the domestic market, which was in a depressed state. Its entire production today is exported.

"If you export you use teak; for the local market other woods. You can't do both," Mr Jespersen said.

"We began to think differently—and as a company we didn't have any unfortunate ties to architects who could stop us making things that sell. We visited the countries we thought we might be able to sell to in order to see what they wanted. Then we went home and made it."

The craft tradition is a thing of the past in the production plants, which use computer-programmed machinery to achieve rational as well as flexible production. A small staff of good marketing people, its own designers and a well-trained workforce ("who understand that we are in this together") have contributed to the success.

Office and institutional furniture is the fastest growing sector of the Jesper range, including desks, file units, conference tables, multi-storage systems and computer support furniture. It also includes wall units and bedrooms.

TEXTILES

Exports buy survival

WHEN EXPORTS from low-wage countries began to flood Europe, few people gave the Danish clothing and textile industry much chance of a future.

Bigger companies were forced to close, causing a drastic fall in employment in the Copenhagen area. But the Jutland industry concentrated around Herning and Ikast, where average businesses employ 30 to 40 people, survived intact. Employment is at virtually the same level today as it was 10 years ago.

Survival has been ensured by increasing specialisation and exports. The share of exports in total trade (imports plus exports) has increased from 35 per cent in 1973 to 42 per cent in 1983. Exports over the period increased by 228 per cent and imports by 141 per cent.

With exports in 1984 totalling about DKr 8bn, the textile and clothing industry remained the third largest exporter of manufactured goods.

This performance was achieved in spite of — or more likely because of — the fact that the Danish industry does not receive subsidies.

"We have never asked for them. On the contrary, we have always been convinced that the quickest way to extinction is through subsidies," said Mr Carlo Wichmann Madsen, chairman of the Textile and Clothing Industry Association. He cited the performance of the industry in the other Scandinavian industries to support this contention.

"We cannot compete on wages, so we have concentrated on education and training for the workforce and the use of modern production equipment," he said.

Training takes place at a clothing and textile industry school set up by the industry in Herning.

Companies typically have small collections, designed for quality in use rather than as high fashion, which can be changed quickly. Administration is kept to a minimum, and as businesses are usually managed by an owner who rarely pays himself a dividend, they are able to build a reasonable equity capital.

The four main markets in order of importance are West Germany, Norway, Sweden and the UK. The main production categories are knitwear, wool (Dkr 2.5bn in 1983), clothing (Dkr 2.1bn), carpets (Dkr 1.1bn), and yarn (Dkr 1bn).

FEMILET

Streamlined care

FEMILET, one of the bigger Herning clothing manufacturers, produces a garment which, it claims, is unique. A knitting machine developed in Canada produces a nightdress which is polyethylene on the outside for smartness and cotton on the inside for comfort.

Femilet is the brand name of the lingerie produced by the less pronounceable Jens Krøjgaards Trikotagefabrik, which exemplifies many of the survival techniques used by the Jutland industry.

It caters for a market for relatively high-priced, brand-name products, specialising in the production of seamless cotton underwear, marketed as giving extra comfort. It claims 20 per cent of the Danish underwear market and 80 per cent of the brand-name market.

It is one of the biggest Jutland producers, with 225 employees. Turnover last year was about DKr 90m, of which about 35 per cent went for export.

All but 35 employees are in production, with marketing and administration a streamlined operation. Femilet sells only to specialist outlets, not to supermarkets, which means that many customers are small shops with little administrative expertise.

It therefore has a direct order system (no sales through wholesalers) in which administrative work is, as far as possible, done for the customer. This goes for its export customers as well.

For Scandinavian customers, the company takes care of all customs procedures, documentation and value added tax calculations, so that all the customer has to do is to pay a bill direct to his bank.

FISHING

Industry suited to individualist ethic

FISHERIES ARE said to be the only hunting community to have survived into the industrial age. And the Danish fishing industry is well suited to the individualist ethic of the hunter.

Its 3,300 fishing vessels are all owned by either one man or partnerships. Two-thirds of the vessels are less than 20 tonnes and are crewed by between two and five people, all of whom have a direct economic interest in the catch. Income is divided between the ship and the crew after operating costs have been deducted.

The share which goes to the crew is divided according to a fixed key. The skipper gets more than the others, but not much more. It is not exceptional for 18 year olds to earn DKr 200,000-300,000 (£15-20,000) a year.

When not fighting the elements, the fishermen are happy to take on whatever else is standing in their way—especially politicians—at home and in Brussels. When they have a grudge, they make sure everyone hears about it.

This sometimes gives the impression that the fisheries are on the rocks. Yet the fishermen have just had two excellent years, so much so that Mr Henning Grove, Fisheries Minister, last autumn had to slap a ceiling on the new tonnage he was prepared to finance with public funds (at preferential interest rates) as investment in new trawlers was rising too fast.

These, however, have been some of the best years for the past decade. Although the general conditions have been good, quota restrictions have in some cases hit parts of the fleet badly, often a specialised fleet from a particular port.

But the number of vessels, employment and the catch have all remained stable over 10 years, which are not the signs of an industry in crisis.

Virtually all Danish fish products go abroad. Exports in 1983 accounted for DKr 8.4bn out of a total production value of DKr 9.4bn. Denmark is the world's third largest exporter of fish products.

In the EEC, the Danes have frequently been in trouble because the lion's share of their catch—1.4m tonnes out of a total catch of 1.8m tonnes—is processed into fishmeal and oil. The EEC has tried to protect species used for human consumption at the expense, where necessary, of the industrial catch, which has led to long and bitter rows between Denmark and the UK.

By value, the consumer fish catch is by far the most important. Its value on landing was DKr 2.25bn in 1983 compared with DKr 0.9bn for industrial fish.

Fishing vessels (over 5 tonnes)	3,300
Fishermen	6,500
Catch (1983)	1.748m tonnes
value on landing	DKr 3.25bn
For human consumption	
For human consumption	360,000 tonnes
value	DKr 2.25bn
For fishmeal, oil	1.389m tonnes
For fishmeal, oil	1.389m tonnes
value	DKr 980bm
Production value of fish products (1983)	DKr 8.81bn
Exports	DKr 8.45bn
fishmeal, oil	DKr 1.36bn
human consumption	DKr 7.09bn

Employment has also remained stable in the fish processing industry over the past decade with about 7,400 people working in the processing of consumer fish and 700 in the 16 fishmeal plants.

The industry has been able to achieve a steady increase in value over this period, both in the fishing fleet, where improvements in handling and icing techniques have taken place, and in the processing industry, which has managed to increase the proportion of more highly processed products.

Almost 70 per cent of the exports of consumer products go to the EEC, but in the past two years exports to the U.S. have risen fast, and exports to Japan—almost a virgin market for the Danish industry—reached DKr 126m in the first half of 1984, the same amount as in the whole of 1983.

EGETAEPPE

Cut out for success

THE black-out material used at 10 Downing Street during the war provided an unlikely leg-up in both figurative and real terms for Mr Mads Eg Damgaard, founder of Egetaeppe, one of Europe's leading carpet manufacturers.

He and his brother Aage were part of a family of 10 brothers and sisters running their own clothing and textile companies in Jutland before the hostilities. They got back into business by buying the black-out cloth and turning it into trousers.

"It was excellent material," Mr Aage Damgaard says.

Today, Egetaeppe maintains its feel for quality, although specialising in carpets rather than pants. This is why it does well in spite of cut-price competition, Mr Damgaard says.

Danish carpetmakers are full of complaints against the Belgians, said to be using Government subsidies to export carpets which are sold for less than the price of the yarn they are made from.

Yet Egetaeppe has continued to perform well. In the three years since 1981-82 it increased sales from DKr 371m to DKr 606m. Pre-tax profits varied from 6.7 per cent to 10.4 per cent of sales, about two-thirds of which are exports.

Egetaeppe is one of the half dozen companies in the world licensed to use the Canadian-developed Millitron machine. Using a computer-aided process, it dyes tufted carpet as it goes through the machine and can reproduce any pattern.

From a photograph handed in to the company in the morning, it can turn out a carpet with your portrait in the afternoon.

This machine can produce up to 25,000 sq metres of tufted, wall-to-wall carpet a week.

The quality end of Egetaeppe's range shows in what Mr Damgaard described as the world's thickest carpet, which he has been selling in California for more than 20 years. At $300 per sq metre, it sells well.

Main markets for Egetaeppe are Denmark, Britain, West Germany and Scandinavia. But a sales office has been opened in Singapore.

"We are not a wage-heavy firm. We can sell in Korea and Japan," said Mr Damgaard.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Tuesday January 15 1985

Whatever it takes

IT HAS already started. In the next few days, both in the City and in Parliament, we can expect to be gorged with hindsight. The handful of pessimists who have been issuing warnings of excessive monetary and fiscal stimulus for quite a few weeks now are entitled to their moment of triumph: but we did not agree with them then, and do not agree with them now.

The most important facts to remember about the current sterling "crisis"—for they are hardly unfamiliar—are that a downward correction in the exchange rate was desirable; that in today's financial markets. It was bound, once started, to go too far; and that when, as a result of this correction, it has paid to be short of sterling for months on end, it was bound to take a considerable spike in interest rates to change the market psychology. The whole affair could no doubt have been better managed, but that is all.

Th correction was necessary for precisely the reasons the market has perceived. The oil price — largely, it must be remembered, because the dollar has been and remains so strong —has been carried unrealistically high; and Britain's own oil supply is nearing its peak. Since it will be necessary, from next year onwards, to substitute other activities for oil in Britain's international trade, a boost to competitiveness was called for. Given the time lags before industry can feel secure about its competitiveness, and respond with investment, production and marketing effort, an early correction was highly desirable. We welcome it.

Obsessed

At the same time, the correction has gone too far. Traders and commentators seem too obsessed with the remarkable Indian rope trick being performed by the dollar to remember that except in dollars, the oil price is higher than it was a few months ago, so that our advantage vis-a-vis Europe and Japan is greater. They seem to forget, too, that when the coal strike ends, there will be rather a startling impact on the UK current account. Once the slide has realy been checked—and we still do not know what this wil ltake—the market will perceive sterling as cheap.

However, this overshoot was partly the result of the normal dynamics of any speculative financial market. The phenomenon of overshooting has been analysed past all understanding in recent years without adding much to the folk wisdom of the markets themselves; they tend to behave like that. When they have a nice round number, like sterling-dollar parity, in their sights they become still more obstinately irrational.

What all experience shows, both in the United States and in the UK, is that once this kind of psychology produces a spike on the price charts, it takes a sharp rise in interest rates to stop it.

Granted all this, the business could certainly have been handled with greater aplomb. The public relations of the last few days have been disastrous, as Ministers are angrily aware; this might almost be classified as the third Sunday newspaper crisis, to file with those of 1982 and 1976. The rather forceful announcement of assistance for the money markets a week ago was also unfortunate. The markets might otherwise have feared that sterling would become very tight in the revenue season.

Suspicious

That is so much spilt milk. What could still hamper the Government in its efforts to stabilise sterling and head off a risk of an inflationary impact is two items of ideological baggage it still carries. One is the view that currency market intervention is invariably wrong, which amounts to saying that we must always protect reserves because we will never use them. Intervention as a substitute for more painful alternatives, in the traditional British style, is indeed ineffective. However, when intervention is used, Swiss style, in order to mop up the currency and make markets tight—what is known in the jargon as unsterilised intervention—it is a highly effective means of imposing tightness where it is most immediately felt. Speculators might even lose money.

Finally, the Government's very public obsession with low interest rates as a road to salvation is both unhelpful and inconsistent with any monetarist stance. It may make it harder to get them down again after the present crisis, for markets are now suspicious. We need hardly argue at the moment for giving the exchange rate a higher status among monetary indicators; we hope it retains it.

The Swedish paradox

THE SWEDES are among the world's wealthiest people. Their Socialist government's economic management since its return in 1982 has been successful. Yet Mr Oluf Palme's Socialists are well behind the opposition in public favour less than nine months before the next general election.

That may seem paradoxical. But the paradox is explained not only by the occasionally painful measures adopted by the Palme government. It also derives from shortcomings in the economic record and from a malaise in Swedish society. In spite of its wealth and orderliness, Swedish society has not avoided the revulsion against the state as omni-present governess which has taken place in so many countries. The symptoms in Sweden are a bloated public service and one of the highest tax levels in the world.

The Palme government, returning to office after an unsuccessful non-Socialist interlude, set out to rein in the growth of public spending, and can point to some encouraging statistics as evidence of incipient success. But progress has been slow and may not have gone far enough to be lasting.

Economic strategy has been based upon a devaluation of the Swedish krona by 16 per cent at the outset of the Government's term in 1982. This move was heavily criticised internationally as likely to encourage a spate of competitive devaluations which would leave nobody better off. But if the objective was to present Sweden with an export-led recovery, its success can hardly be denied.

The result has been a spectacular recovery of the balance of visible external trade. It has been sharp enough to take the current account of the balance of payments into a small surplus in 1984. In spite of a heavy and growing load of debt service. In a familiar pattern, the increase of output caused by growing exports has stimulated home demand for imported raw materials and components to a point where the Government expects the current account to dip back into deficit this year. The beneficial effects of devaluation, therefore, may be running out.

Government success in bringing the budget deficits under control may likewise have reached or almost reached its peak. As a share of GNP, deficits have fallen from 13 per cent in 1982-83 to 9 per cent in 1984-85. The budget tabled in Stockholm last week is intended to bring about a further drop to 7 per cent in 1985-86.

Faster progress could hardly have been managed without upheavals that would have strained the established social consensus in Sweden. But the opposition may justifiably argue that deficits of the present order of magnitude are still too high in what are good times. They could get out of hand quickly once the economy ceases to grow.

Tax increases

Mr Palme's government knows that inflation needs to be brought down if the overall strategy is to succeed. When wages rose uncomfortably last autumn, the Government brought in a package of indirect tax increases in order to damp down home demand. Last week's budget offered no tax cuts, though this is an election year. The prospect of some concessions is held out for this spring, but only if real wages remain stable. It is a course that will need political courage on the Government's part.

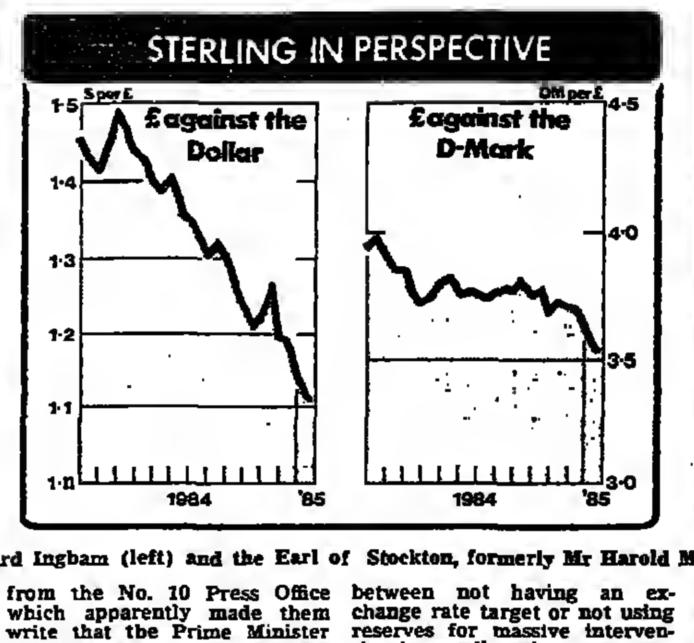
Courage will also be needed to stick to the Government's determination no longer to bail out declining industries, as was done in the past under both Socialist and non-Socialist management. The Finance Minister, Mr Kjell-Olof Feldt, argues that the new policy is acceptable only because a low unemployment ratio reduces workers' fears that they will be thrown on to the scrap heap along with uneconomic plant.

The acid test for the entire strategy of the Government is yet to come, when the worldwide recovery slows down and eventually goes into reverse. Only experience through a whole cycle will show whether the once-admired Swedish model has been successfully adapted to changed circumstances.

ECONOMIC VIEWPOINT

Behind the fall in sterling

By Samuel Brittan



Mr Bernard Ingham (left) and the Earl of Stockton, formerly Mr Harold Macmillan

THERE ARE three reasons why we are having yet another sterling crisis. First and most important, the fortunes of sterling are more clearly related to the oil market than any model or theory can explain. Just as sterling was chronically strong during the second oil price explosion of 1979-80, it has been tending to slide with the weakening oil market of the past couple of years.

In this situation any new event such as rumours of Norway's switch (desirable in itself) to market-related oil prices can give sterling a further shove. There is ultimately little to be done about the oil-related weakness of sterling, just as there was about its earlier oil-related strength. A falling oil price itself lessens the inflationary effect of a lower pound.

There is nevertheless a limit to the rate of fall which can be accommodated without driving a coach and horses through the Government's counter-inflationary objectives. The market, when it thinks of sterling falling too fast, thinks in terms of days or weeks, whereas an economic analyst should have in mind periods more like six months or a year at a minimum. Either way, there can be no objection (and there is indeed a need) to use interest rates to put a brake on the rate of currency fall.

The fact is that the oil market can have such an effect on sterling even without an excessively loose domestic monetary policy, which may be the second factor involved. But I think this factor is overemphasised in the City of London; and those who have criticised the Government for giving too low a priority to expansionism and jobs should be very careful before they endorse it.

But there is also a third factor.

Some, although not all of sterling's weakness and the shock 2½ per cent increase in UK short-term interest rates can be attributed to the latest episode in the long and unfortunate history of interference from the Prime Minister's residence at No. 10 Downing Street with the conduct of policy towards sterling.

The record goes right back to the time that Harold Macmillan, as he then was, sat on the proposed increase in Bank Rate in 1957 to the then horrific level of 7 per cent, but failed in the end to prevent it.

But, in every single case, prime ministerial intervention has utterly failed to prevent a tightening of domestic policy; and in no case has a government been able to persist with "benign neglect" of sterling. The only effect has been that the eventual rise in interest rates or other measures of restraint have been all the more severe for being delayed.

Macmillan's failure to stop dear money has already been mentioned. The Wilson U-turn of 1966 involving George Brown's near-resignation on the steps of No. 10 was preceded by remarks that the crisis "bad all been got up by the press," and there were lobby briefings a few days beforehand about there being no call for emergency action, when every economics writer knew there was.

There may be occasions when "letting sterling go" might be justified.

Even then a "closed mouth" policy would be required to minimise the risks. Instead, all we have ever heard from No. 10 in the years I have been following these matters is an instinctive dislike of unpopular action, plus irrelevant diversions—such as Harold Wilson's hope that "physical action" like the construction of aluminium smelters could have been an alternative to devaluation in 1967.

On the present occasion there is, to be fair, no sign that the Prime Minister herself tried to prevent the increase in interest rates to holster sterling. But what did make the run on sterling far worse than it need have been was the briefings received by political correspondents mainly on the Sunday papers from the No. 10 Press Office which apparently made them write that the Prime Minister would not object to a "one dollar pound," had ordered a hands-off policy, and so on.

After such reports had appeared the Sunday before last, it was supposedly agreed that questions on sterling were to be referred to the Treasury. But last Sunday's papers suggested that the Prime Minister's irrepressible Press Secretary, Mr Bernard Ingham, was active again and the Prime Minister's supposed "hands-off" attitude to sterling was again emphasised in some of them.

One would like to be fair to Mr Ingham by quoting his exact words; and in most countries, chief government Press officers make most of their remarks on-the-record most of the time. But the restrictive practice known as the lobby system, used by Ministers and their acolytes to plant stories without taking responsibility for them makes this impossible.

What one can say for sure is that there are extremely important if subtle differences between not having an exchange rate target or not using reserves for massive intervention in usually vain attempts to support a currency, and *not caring* to what level it goes. It is unreasonable to expect Mr Ingham, who has no background in these matters, to explain these subtleties to political correspondents equally unspecialised in the area.

The very expression "one dollar pound" illustrates the lack of understanding. For it reflects a hangover from the period when all currencies were fixed against the dollar, which came to an end when the Bretton Woods system collapsed in 1971-73.

The events of the last year show how important these differences are. Between the end of 1983 and the end of 1984, sterling fell from \$1.45 to \$1.16, a fall of 20 per cent. By contrast, it fell against the D-Mark from DM 3.95 to DM 3.65, a fall of only 7½ per cent.

Indeed, a detailed examination of policy over the past few years would probably show that, however much Press reports and market gossip remain obstinately in terms of the sterling-dollar rate, it is mainly when that signal is confirmed by substantial adverse movements of sterling against the mark or the trade-weighted average that an increase in UK interest rates is sanctioned. In the first week and a half of January, up to last Friday, sterling fell to DM 3.55, or nearly 3 per cent, in 10 days. A continuing fall at anything like that rate would clearly be very serious.

The recent British official policy line has been that sterling depreciation matters if it is an indicator of loose domestic monetary conditions. But a less metaphysical description can be given of British policy.

This is that the Chancellor, Mr Nigel Lawson, has never deliberately sought devaluation. As Financial Secretary he took the lead in the early 1980s in resisting the industrial lobby's agitation for a lower pound. But he has been prepared to raise interest rates to defend sterling only when the rate of depreciation has posed a threat to the Government's inflation objectives.

The experience of Germany suggests that the feedback into inflation of currency depreciation can be much less than was previously supposed, provided that the depreciation is confined to the dollar. The DM has fallen in the last five years from DM 1.78 against the dollar to DM 3.17 or a fall of over 50 per cent. Yet the German inflation rate is around 2 per cent, even less than the American one.

On the other hand over this same period the trade-weighted D-mark average has changed very little. It fell somewhat in 1980, but since then has shown almost no net movement whatever.

In British terms the size of the effect of depreciation on inflation is not one on which one can generalise, but depends on the circumstances of the moment: the behaviour of commodity and other import prices, the state of domestic and importers' profit margins, and many other factors. This is one of many reasons why a pre-announced exchange rate commitment is such a bad idea. What matters, from the point of view of underlying inflation, is whether or not there is a carryover into domestic wages.

Would the Government make things easier for itself if it dropped its "doctrinaire" objections to Bank of England use of the reserves to support sterling? People of the same school are asking whether the new U.S. Secretary of the Treasury, James Baker, will drop his opposition to Fed action not to support, but to depress, the dollar.

There is not the slightest objection of principle to a central bank acting like any other stabilising speculator and buying a currency at a profit to help itself if it thinks the market is unduly low, and calling that a bear raid. But that is not how central bank intervention (with the possible exemption of the Bundesbank) has worked in practice.

What has normally happened is that the central bank pours out reserves in a vain effort to *stop some* overwhelming movement; and then reports to the Government that more fundamental action is required such as higher interest rates. The result is not dissimilar to prime ministerial intervention: simply to delay the evil day.

One lesson of recent events is how utterly inappropriate a formal exchang rate objective, still less membership of the EMS, would be. Sterling is still very much a petro-currency affected by different forces than the other Community currencies. Tying Britain to the EMS would carry with it risks comparable to an attempt to have tied the DM to the dollar when the rate was DM 2 in 1980-81.

The itch to intervene, to politicise, to fix prices, to expend reserves at no personal cost to the official spending them, is endemic to human affairs: in the financial as well as in the labour markets. But yielding to it often does more harm than god and only shuts off the safety valves that flexible markets provide in a very imperfect and shock-prone world.

WHY THE BANK HAD TO BRING BACK MLR

YESTERDAY, for the first time in three and a half years, a small pair of green velvet curtains was drawn open at the Bank of England to reveal a notice board which told the world that Minimum Lending Rate was 12 per cent.

Since August 20, 1981 the curtains had remained symbolically drawn, as a reminder to visitors that the Bank could, with a flick of the wrist, revert to its old practice of laying down the law on interest rates with undisputed authority.

The board, outside the office of Mr Tony Colby, the Bank's top money market official, also symbolises the dilemma which the authorities have confronted ever since they decided to move to a more liberal system of market-set interest rates.

On the one hand they have been genuinely anxious to give the markets as much freedom as possible. But they have actually had quite clear objectives for interest rates. Usually the Bank has been able to make these known by changing the dealing rates at which it makes good any shortage of money in the banking systems, or by more subtle nods, winks and behind-the-scenes hints.

Yesterday, none of these methods was adequate to deal with market turmoil, which was partly stirred up by conflicting stories in the Sunday papers.

Yesterday's unveiling was a symbolic assertion of authority, since it made no difference to the Bank's actual transactions. It continued its normal practice of supplying liquidity to the market.

However the Bank has clearly re-opened the debate about how its interest rate policy should be "handed down."

When this debate got under way in 1978, it was already clear that the system of administered rates was coming under great strain. As soon as the City got a sniff of higher interest rates, no-one would buy gilt-edged stock. As politicians were always loath to agree to an interest rate rise there was sometimes a hiatus in which government funding came to a halt. Then rates were forced up and gilt sales raced ahead.

The Bank, particularly, was anxious to loosen the political grip on interest rates in order to weaken this Grand Old Duke of York cycle in the gilts markets. By 1981, these considerations were powerfully re-inforced by the Conservative Government's free market philosophy. The authorities, it believed, should control the money supply and allow interest rates and the exchange rate to reach their own levels.

Only a few weeks after the suspension the new arrangement was tested almost to destruction as sterling slid steeply, partly as a result of a strong dollar.

Sir Geoffrey Howe, who was then Chancellor, was forced to push interest rates up by 4 percentage points in two stages to 16 per cent.

In November 1982 an accelerating slide of the pound forced interest rates up, although this time the rise was led by Barclays Bank. Then in July last year, another slide in sterling prompted partly by fears of a dock strike, was again arrested by a 2½ percentage point hike in interest rates. Once again the clearing banks led the way and the authorities made no secret of their desire to bring rates down again as quickly as possible.

This they did, in the late summer and early autumn.

Max Wilkinson

Men and Matters

TWA's take-off

What developed from Polaroid's marketing deal with Trans World Airlines has, to say the least, surprised the two companies.

Buyers of certain Polaroid cameras and film were offered a coupon worth 25 per cent off the prices of a TWA ticket in April or during next winter.

But, according to the U.S. magazine, Business Week, TWA and Polaroid neglected to put the usual "one per customer" limit on the offer or to restrict the discounts to any flights apart from those to London.

The result is that travel agents and corporate travel departments have rushed in through the loopholes, which enable anybody who buys a \$19 camera, for example, to save \$287 on a flight to Egypt or fly across the U.S. for only \$89.

One St Louis travel agent bought 10,000 cameras and offered the discount coupons to commercial customers: a Boston ticket broker even wangled a Polaroid dealership and acquired enough cameras and film at wholesale prices to get 7,000 coupons.

The cameras were largely given away to charities or employees. But there was a ready market for the coupons. The magazine reports that McDonnell Douglas, for instance, paid \$10,000 for coupons which it reckons will save it \$175,000 in travel costs.

Some 60,000 coupons have already been redeemed, and TWA expects the final total to be around 150,000. But the domestic bookings which it expected to benefit have risen by only 15 per cent while international bookings are up 94 per cent.

While TWA worries that it may have started another cut-price fare war, Polaroid says the promotion is the most successful it has ever had with an airline.

Its own corporate travel department bought 2,000 cameras to take advantage of the discounts.

"Well, at least it's rallied to where it plummeted last week"

Hunt over

Norman Tebbit, Trade and Industry Secretary, has taken advantage of a temporary lull in the activities of the Monopolies and Mergers Commission to appoint a new deputy chairman.

Holman Hunt, who retired last year after 32 years with the PA management consultants' group, has become one of the three deputies who help chairman Sir Godfray Le Quesne decide public interest issues in investigations into mergers, monopolies and the nationalised industries.

Hunt, a member of the Commission since 1980, tells me he has been enjoying his retirement over the past year and, unlike many of his consultancy peers, has not so far felt the urge to get involved in more business work. But he has finally bowed to pressure and his new job will take up two and a half days a week at the Commission's Carey Street offices.

Hunt replaces John Eccles, who has joined the Commonwealth Development Corporation.

The Commission's current workload is less than usual, mainly due to fewer mergers being referred recently.

But more monopoly probes are in the offing.

Time out

It must have taken a bit more New Year's resolution than usual for the U.S. business magazine, Fortune, to publish in its current issue the annual league table of America's most admired corporations.

For guess who has dropped out of the top 10?—None other than Time Inc, the magazine's publisher, which dropped from sixth spot last year to 22nd this time around.

The group, however, holds its position in the publishing and printing industry, running second again to Dow Jones.

For the third successive year, IBM heads the 250 corporations listed, with Continental Illinois filling the least admired spot.

In the saddle

Hitherto unknown facts about cycle theft have pedalled my way.

Did you know, for instance, that males are more likely to have their cycles stolen than females. And that February is the month with the lowest risk of cycle theft, while April is a dangerous month for cycle owners.

I quote a new report from the Transport and Road Research Laboratory, Crowthorne, Berkshire, which is supported by the government to find out this sort of thing.

Somewhere in Europe a cycle mountain is growing. Cycle theft is a fast-growing crime and it is estimated that some 240,000 machines worth £16.5m were stolen in Britain in 1982, the year studied by the survey. But only 15 per cent of the bikes were found. "What happens to most of the stolen cycles is not known" confesses the laboratory.

I hope these nuggets of information make life simpler for the bicycle-riders—and the bicycle stealers. I am baffled, however by a final commentary upon the report by the Department of Transport, "Because of the difficulty in obtaining reliable information on whether stolen cycles were left locked, it is not possible to quantify the deterrent effect of locking a cycle."

Big macs

Champagne, naturally, to celebrate the signing late on Sunday night of the £151.6m deal between Royal Bank of Scotland and Jacob Rothschild's Charterhouse group.

But as the teams of negotiators, including advisers from merchant bankers Baring Brothers and S. G. Warburg, clocked off just before midnight, and joined Rothschild for a glass of two of the bubbly, Sir Michael Herries, Royal Bank's chairman, and his chief executive, Sidney Procter, turned up with something more substantial for the party.

Thinking that everybody might be feeling peckish after a long and hectic day, Herries and Procter had been out in search of food — and arrived bearing 36 hamburgers (of a suitably Scottish-sounding var-iety) and 36 bags of chips.

Final edition

The annual survey of published accounts has become "an essential, standard reference work," according to the gushing press release from its publishers, the Institute of Chartered Accountants. Well, perhaps not *quite* essential. Inside, the editorial introduction confesses that it is the "sixteenth and final" survey in the series.

Observer

Letters to the Editor

Jobs–no instant solution

From the Director General, National Economic Development Office

Sir,—Samuel Brittan's piece (January 10) covered the recent efforts of the National Economic Development Office with cold water, and then complained that we look wet. He even called us "pleasant" and "amiable"—enough to make anyone feel got at.

Much of NEDO's present work is concerned with the new jobs programme—it deals with a problem about which, as the Chancellor observed at last week's council meeting, we are all exceptionally concerned. Where will new jobs come from? How will they be generated? Certainly not by our writing nicely composed papers for an NEDC balancing act, but not either by invoking the ghost of Adam Smith.

Our starting point is that the unemployment picture is bad, and that it is hard at present to find solid reasons for supposing that *it will greatly improve.* Decisions and actions in tens of thousands of workplaces across the country are of course the necessary engine of change and progress. But they are not yet *producing the jobs* outcome that the country needs.

It is implausible that any simple gimmick could, on its own, set things right. Samuel Brittan took up the issue of wages, and criticised the delicacy, caution, and "puzzlement" which we seem to display in handling the matter. But—what would be involved in making real pay settlements lower? To what extent would a slowdown in the increase of money wages lead to changes in real wages? What is the effect of exchange rate movements? What would be the impact on demand (an issue carefully and trenchantly examined in Samuel Brittan's Lombard piece on January 7)? Discussion of these issues will be stimulated by a ministerial paper for NEDC in February.

We are doing our own preparatory work in the office so as to help us to receive that paper and inform some of the subsequent work; in doing so, we have arranged to get technical help from economists of several different ages, views, and degrees of "puzzlement."

It is extraordinary that Samuel Brittan should criticise us for emphasising the competitiveness issue, and for linking it explicitly to the question of unit labour costs. The NEDO has consistently emphasised that competitiveness, both through price and product development, has to be fought for in bad times, seized and exploited in good times, as part of the continuing most pressing task for management. The notion that there is a constant lump of world demand, and that it is ungentlemanly for the UK to try to grab a larger share, is an argument which, on other days, Samuel Brittan would deride. There will be a vigorous statement of the issue in two papers coming to council in April.

Much of our debate will be about the complex labour market, highly fragmented as it is, defying simple descriptions and naive remedies. Textbooks present instead models of worlds with "perfect" labour markets, where wages, output and employment adjust, resulting in "equilibrium" real wages and "natural rates" of unemployment. *Inspection* of such models provides both insight and puzzlement. What it certainly does not provide is a readymade set of policies, actions, and understandings to help us out of our present difficulties. Studies on various aspects of the labour market—on hours, conditions of work; on training; on the introduction of change; on the impact of taxes and social security systems — *will lead* to tough debate and involvement of minds in seeking appropriate action, both in the council itself and in the corridors around it.

If you ask of the authors of these textbooks models what explains the level of unemployment at any time, or even what explains the required "natural" level of unemployment, you get a complex and even puzzling reply. One thing is sure, however: the way institutions are arranged, the way in which labour markets operate, the frame of mind in which individuals approach economic and social decisions—all these affect crucially the performance of the economy. It is Neddy's task to examine detailed and practical ways of improving the outcome.

Similarly, it has always been part of the role of our individual economic development committees by their arguments and studies to find ways to remove the obstacles to faster rates of growth. That is the best way to look at our recent infrastructure paper which asserts roundly that many of the ways in which we have been husbanding the £200bn worth of public assets over the last decade or two are far from efficient: in a typical Neddy way, it does not just assert this proposition but investigates it in great and fruitful detail. Samuel Brittan doesn't seem to have noticed this, preferring instead to imply that we are preoccupied with underspending (not true) and that we leaked the document as a jobs gimmick (also not true). Preparing the *sort of paper* we actually did prepare, getting it discussed, argued about and acted upon, is what Neddy is here for. Adam Smith would have approved!

John Cassels,
Millbank Tower, Millbank, S.W.1.

OPEC and lower oil prices

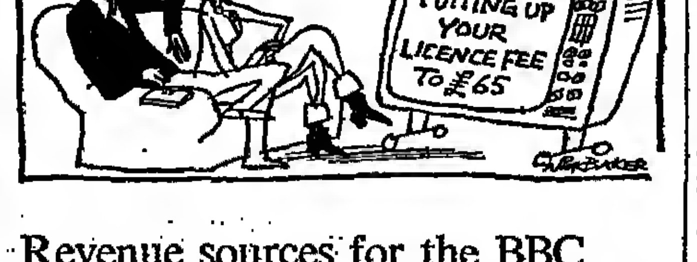
From Prof G. Maynard

Sir,—In early 1983 you were kind enough to publish an article of mine, "Why oil prices must fall more," which argued that the price of oil (then $34 a barrel) was too high for the health of the world economy and would have to fall. The argument was that the massive rise in oil price which had taken place in the previous eight or nine years had significantly lowered the rate of return on capital in oil-consuming industries, particularly manufacturing; had reduced the feasible real wage at which full employment in industrial countries could be maintained; and *because of the recession* which had been forced on industrial countries, had severely worsened the terms of trade of non oil-producing developing countries. The article went on to argue that the real price of oil would have to fall by about one-third to relieve these depressive pressures sufficiently for the world economy to show a sustained recovery; and that given the anti-inflationary monetary policies being adopted by the industrial countries, a fall in the nominal price of oil was inescapable.

In the event, the nominal price of oil was cut by $5 (from $34 to $29 a barrel) in March 1983, leaving it still $5 higher than was probably warranted. Since then, on average the price level in the major industrial countries (weighted by respective GDPs) has risen by about 9 per cent, thereby further lowering the real price of oil; on the other hand, the U.S. dollar has appreciated by about the same amount against the SDR. Hence, insofar as the argument deployed two years ago was valid, it still seems true today that unless we get an early and substantial fall in the dollar, oil price in the region of $24 a barrel remains a warranted level.

It is understandable that the Organisation of Petroleum Exporting Countries is reluctant to accept a further significant cut in the nominal price of oil, preferring inflation to pull down the real price somewhat more gradually. (It is obvious that it cannot maintain the real price.) But given the counter-reluctance of the industrial countries to allow inflation to pick up again, it may take two to three years for inflation to do the job. Meantime, the world economy is likely to grow at a moderate rate at best while Opec cohesion will remain under constant strain. It would undoubtedly be better for the world economy if Opec were to make another early and concerted cut in the nominal price of oil; and probably better for Opec too, since, insofar as the world economy is stimulated and oil *demand picks* up, the danger of a breakdown in Opec cohesion and the consequent outbreak of a price war that would lower oil price even more and in a disorderly fashion would be less.

(Prof) G. W. Maynard,
University of Reading,
Whiteknights Park, Reading, Berks.



Revenue sources for the BBC

From the Chairman, Shaw Cable

Sir, — The proposed BBC licence fees of £65, not surprisingly, is giving rise to considerable debate. At such time it is worth making a few points that may be of some help in getting the discussion into a sensible and unemotional perspective.

What I believe there must be some doubt about is that the payment of the fee to the BBC should be required before any other service may be legally viewed. Especially as the payment of the fee is probably related in the minds of viewers *with the* provision of the services they gain from all sources —not just those of the BBC. If this statement is questioned, consider what would happen if the BBC fee was confined to the provision of its service alone.

We live in a recognisably mixed society and need to provide informational, educational and cultural broadcasting services to all parts of the community. In this sense it may be relevant to see what is available to the cable subscribers in the U.S. who pay, even at the current rate of exchange, approximately £70 each year for all their viewing opportunities.

This "fee" brings the opportunity to watch 30 channels or more of regular services (chosen by the cable operator from an even greater number available). Not surprisingly, the services are not attractive to all of the viewers, but that of course is at the heart of creating choice!

We often hear it said by some that British TV is the "best in the world." Perhaps a more balanced statement might be the claim that the British produce *some* of the best TV programmes in the world. It should not, however, be heresy to suggest that the BBC's fee should be viewed in the light of value for money, which gets to be more and more relevant bearing in mind that an increasing number of services will originate from other sources; possibly twenty or thirty to the two from the BBC.

I have the greatest respect for the BBC (and no less for ITV), but it is not realistic to believe that those attributes which appear to make us excel at some form of TV programmes will die because the BBC's mandate is changed. There is probably only one route for the BBC and that is to earn, by performance, revenue from the provision of further programme services suitable for the cable systems, much as it did in the early days of radio, and where appropriate obtain financial support from advertising.

ITV need have nothing to fear from this so long as it is gradually freed from the TV levy which will become anachronistic as its monopoly diminishes.

Both the ITV levy and the BBC fee have eventually to be significantly reduced if not removed if they are to be free with the new services in producing consumer choice. A choice that means an even greater and essential freedom of individual and unenforced selection.

James F. Shaw,
11, Bruton Street, W.1.

The debate on pensions

From Mr P. Roberts

Sir,—From now until Budget Day we shall no doubt be hearing all sorts of rumours, notwithstanding the Chancellor's statement on tax-free cash sums before Christmas.

It is only equitable that all employed persons should be treated equally with regard to tax relief on all contributions and taxation on eventual benefits whether they be in private industry, the civil service or self employed.

As national "insurance" pension arrangements are unfunded and increasingly insolvent, the national interest must surely be best served by the encouragement of private saving — even if this means the continuation of tax relief on plans of all sorts.

Since the vast majority of pension arrangements do not involve any abuse of tax concessions it should not be difficult to monitor plans to prevent any objectional practices merely by extending the existing systems of control. (Especially since only a small percentage of members of private pension plans of all sorts are likely to enjoy anything approaching their maximum allowable benefits.)

Not so long ago we endured a period when many changes were made for their own sake. Is it too much to ask that any further changes affecting the future of us all should be considered carefully in the national interest to give equity between all groups in society even if any announcement of decisions has to be delayed for say 12 months, when we have a Government pledged to encourage self-reliance and thrift?

P. A. Roberts.
Colman House, Station Road, Knowle, Solihull, W. Midlands.

Spending on infrastructure

From the Director, Paintmakers' Association of Great Britain

Sir,—The call by NEDO (January 5) for greater Government expenditure on infrastructure projects is to be highly commended. This association has for years been highlighting the need for regular spending on sensible building maintenance programmes. Thus, the "official" news that capital stock is deteriorating through inadequate repair comes as no surprise.

We commissioned an investigation last year by an independent expert: "Blight on Britain's buildings" drew the conclusion that the nation is laying up for itself an eventual repairs and replacement bill of colossal size. Economy may be the name of the game, but what is happening now is little short of madness.

This association continues to urge those who hold the purse strings in both public and private sectors to consider the long-term cost to the nation and to their own purses of neglected painting maintenance. This is not an "instant" story of the kind normally attractive to the media, but its message is crucial: to put off (as is current policy) refurbishment and repainting only results in repair bills far greater than original costs.

Now that NEDO has added its voice to ours and to many others in this urgent cause, will the Chancellor act to save Britain's blighted buildings? The money is there, the extra employment would be welcomed throughout the country, and the long-term benefits would parallel this Government's commitment to long-term policies.

M. J. Levete.
93 Albert Embankment, SE1.

The air shippers' view

From the Inland Executive, British Shippers' Council

Sir,—Your otherwise admirable survey on air cargo (January 8) failed to convey the adverse consequences for shippers of the capacity constraints and International Air Transport Association rate fixing practices currently prevailing in the air transport industry.

Given that British manufacturing industry has now to compete fiercely for export markets, it is essential that shippers are able to secure an efficient, reliable and economical service. Currently the cargo space made available to shippers by airlines falls far short of their requirements: a situation exacerbated by the recent upturn in traffic and the exceptional Christmas peak. The lack of capacity is particularly apparent on routes across the North Atlantic (westbound) and to Australia and South Africa. These shortages could frustrate the successful and effective penetration of export markets by British manufacturers.

This council has advocated the reform of IATA cargo rate structures for some time. The current system is complex and all too often bears little relationship to real market rates. Furthermore IATA rate fixing is, in our view, an iniquitous practice and one which effectively prevents the development of more innovative and customer orientated services.

This council believes that the airline industry should provide shippers with adequate services at reasonable rates, a goal which would be furthered by the development of reasonable competition between airlines. While we would not advocate total deregulation, U.S. experience has shown that liberalisation does, indeed, improve the range and quality of services. The European Commission's attempt to remove the artificial restrictions imposed by the IATA cartel within the EEC is an encouraging development, which will yield benefits for shippers and airlines alike.

Caroline Trewhitt.
Hermes House, St John's Road, Tunbridge Wells, Kent.

Living with the consequences

From Mr D. Barton.

Sir,—Mr Dale (January 8) and your Leader (January 4) on accounting for inflation suggest that the wheel has gone full circle.

Current purchasing power accounting was a relatively simple method of accounting for inflation proposed by the accountancy bodies — no doubt it could in time have been made more sophisticated by revaluing fixed assets on current cost accounting lines and stock by the LIFO method.

Unwisely the Heath Government intervened and set up the Sandilands committee. We are still living with the consequences.

David Barton.
2 Albion Mews, W.2.

Liechtenstein

A state comes out of its shell

By Jonathan Carr, recently in Vaduz

Crown-Prince Hans Adam

THE Liechtensteiners are going forth to do battle with the rest of the world. To avoid alarm, let there be no misunderstanding. The little 161 sq mile) Alpine principality wedged between Austria and Switzerland disbanded its 80-man army in 1868, and there are no plans to reinstate it. The contest now being joined is in the field of international finance and the fast-growing Bank in Liechtenstein (BiL) is leading the advance. It initially established footholds in London, Zurich and New York—and now has just opened in Frankfurt too.

At first sight this seems odd. After all, Liechtenstein is famed for attracting foreign funds like a magnet, thanks to its low taxes, almost impenetrable banking secrecy and unusually flexible (not to say baffling) company law. Why then should bankers already basking in a financial paradise be so keen to spread their wings abroad?

The answer has much to do do with the acumen of a ruling family which over centuries has shown a striking ability to keep abreast of the times—and whose private foundation owns all but a few per cent of the BiL.

Originally based in Vienna, the aristocratic House of Liechtenstein only acquired the little state—which henceforth bore the family name—in the early 18th century. The principality thus became the westernmost outpost (and a poor one at that) of vast family estates stretching across Austria into Eastern Europe. More than 80 per cent of those possessions were engulfed, first by the collapse of the Austro-Hungarian empire in 1919, then through the Second World War and the descent of the Iron Curtain. But that still left a lot of wealth *behind,* including the BiL (founded in 1920), real estate and one of the world's richest private art collections.

Since the war, Liechtenstein has prospered mightily, thanks not least to the prescient decision in the 1920s to take the state into customs union with Switzerland and to adopt the Swiss franc as the national currency (while retaining full fiscal autonomy). Industry has boomed, there are no strikes or unemployment (indeed there is a chronic shortage of labour) and per capita income is among the highest in the world.

Moreover, while having the full advantage of belonging to the traditionally stable Swiss franc zone, Liechtenstein offers some benefits even Switzerland does not wholly match. For example, the principality does not have the 35 per cent withholding tax on investment income which the Swiss levy—one key factor prompting thousands of foreign companies to take nominal residence in Liechtenstein. Banking discretion in the little state is so complete (aided by the absence of double taxation accords with all countries but Austria) that the saying is often heard: "If you want a real Swiss account, go to Liechtenstein."

Small wonder that Liechtenstein is a major draw and turntable, for international funds and that the principality has benefited from this.

It might seem that the ruling family could look down on all this with some complacency from its castle (to which it wisely moved from Austria in 1938) set high above Vaduz, the Liechtenstein capital. But times change and some of the foundations of paradise are not quite what they were.

For one thing, there were the scandals a *few* years ago over shady financial transactions involving locally-based "letter box" companies. In a recent interview, Crown Prince Hans Adam, who took over the reins of office last summer, emphasised that his country had since brought in much stricter controls which had proved their worth. Indeed the controls are more stringent than those applied by many another "offshore centre." The affair underlines the delicate problem of keeping a balance, tough enough to hold the really shady dealers at bay but liberal enough to ensure a lot of business does not simply flow elsewhere.

Then there is the continuing heavy pressure on Switzerland, notably from the U.S., to relax its banking secrecy to help catch tax evaders and others. Liechtenstein has largely escaped such pressure so far—but for how much longer? And suppose Switzerland one day decided to do more to match the kind of tax benefits Liechtenstein offers? Few in the principality *are ready* to say it out loud—but it is likely that Switzerland and Liechtenstein, rivals as well as good friends, will come closer in their financial and fiscal regulation.

The corollary is that Liechtenstein must develop banking and financial services which do not rely so heavily on the principality's current, special position. "We must be able to find—and win—with the same weapons our competitors abroad have," is the kind of phrase one hears in Vaduz.

Hence the surge of foreign expansion under way by the Bank in Liechtenstein under Mr Christian Norgren, 43, its dynamic chairman. Mr Norgren, a Swede, was brought in four years ago by the princely family not just to head the bank, but also to act as president and chief executive officer of the House of Liechtenstein foundation. He already had wide experience and contacts as head of Deutsch-Skandinavische Bank in Frankfurt.

Now he is working hand in glove with Crown Prince Hans Adam to give the BiL a firm international base.

Within months of Mr Norgren's arrival in Vaduz, the BiL had opened a representative office in London and a subsidiary there, BiL Securities, for asset management, investment advice and brokerage services. Further offshoots followed—in Zurich in 1983, in New York in 1984 and most recently in Mr Norgren's old base, Frankfurt.

At home in Vaduz, Mr Norgren also brought in new foreign blood, including a West German banker to run BiL's foreign credits division and an Englishman, with years of experience at the Bank of England and Morgan Grenfell, to handle institutional investors. The bank's total assets have jumped from some SwFr 2bn in 1981 when Mr Norgren took over to well over SwFr 3bn in mid-1984. But even that rise does not reflect the full pace of expansion in view of the BiL's buoyant service business off the balance sheet.

This expansion is not without its problems and calculated risks. True the Zurich subsidiary, Bilfinanz und Verwaltung, run by a senior Swiss banker, has begun well—with booming demand for its investment advice and asset management services, above all from institutional clients. The New York operation is felt likely to develop a lucrative niche for itself too, offering portfolio management in U.S. markets to non-residents. For the D-mark business now concentrated in Frankfurt, the BiL has also drawn a strong team together, snapping up some former senior staff of Schröder, Münchmeyer, Hengst as well as directors from Warburg-Brinckmann, Wirtz and Merck, Finck.

But some insiders feel that in its latest move—building up its London operation into a full branch—the BiL may be biting off more than it can easily chew. It is pointed out that the competition in London is ultra-fierce, margins slim and that even with its strong staff the BiL must be prepared for a long and tough haul there.

There is another risk too. The BiL is going abroad with a high profile, which would be quickly harmed if any scandals (however unconnected with the bank) involving the name of Liechtenstein arose as they did in the 1970s. The BiL, after all, could have followed a more cautious strategy—taking minority stakes in foreign credit institutes and relying more on consortial banking.

But Crown Prince Hans Adam makes clear he wants none of that (and the approach would hardly suit Mr Norgren's temperament either). The Prince emphasises that Liechtenstein wants to show the world it can well succeed in "sensible, steady banking"—*and there is more than a note* of challenge in his voice. It is the tone of a man prepared to take risks when he feels they are justified. And after all, his family has been doing just that —and surviving rather well— for much longer than most.

FINANCIAL TIMES
Tuesday January 15 1985

Israel approves plan for S. Lebanon withdrawal

BY DAVID LENNON IN TEL AVIV

ISRAEL will begin a unilateral withdrawal of its occupying forces from southern Lebanon within five weeks, the Israeli Cabinet decided last night.

The Cabinet approved a three-stage withdrawal plan likely to be completed in nine months, whether or not the Lebanese agree on security arrangements for the evacuated areas.

The decision is a clear warning to Beirut that, in the absence of a bilateral agreement, Israel is prepared to leave a vacuum and let areas of the south become a battlefield between various Lebanese factions. In the abortive talks between the two countries at the frontier village of Nakoura, Israel has been trying to obtain Lebanese assent for an expanded UN peace-keeping presence in the region.

The withdrawal plan was approved by 16 votes to 6, despite the opposition of most of the coalition Government's right-wing Likud block.

Israel has occupied the southern third of Lebanon since its invasion of the country in June 1982, to crush the Palestine Liberation Organisation and establish a pro-Israeli Government in Beirut.

Unceasing guerrilla activity by Moslem Shia and mounting casualties have lead to increasing political pressure within Israel for an end to its military involvement in the country. All parties have been equally insistant, however, on adequate security arrangements to protect the country's northern settlements.

Two Israeli soldiers were killed and seven wounded in two attacks just south of the Israeli front line yesterday, incidents which can only increase the pressure on the Government to withdraw.

In the first stage of the plan, Israeli troops would pull back from the populous coastal town of Sidon, south to Tyre, establishing an interim front line which would still leave the Israelis in control of the central strategic Barush mountain range.

In the second stage, Israel would withdraw from the central sector and from positions facing Syrian forces in the East, to align roughly along the Litani River.

The final stage would see most of the remaining forces retreating behind the Israel-Lebanon border, with a few hundred troops being left behind in a narrow strip of Lebanese territory to support Israeli-backed local militias.

The Israeli Cabinet would review the effects of each stage before beginning the next.

Agreement on the withdrawal plan would answer Beirut's basic demand that it must know of Israeli intentions before it can agree to the redeployment of the UN forces stationed in the area since Israel's previous invasion of Lebanon in 1978.

Disagreement over a possible UN redeployment resulted in Israel suspending its joint Nakoura talks.

Warsaw Pact summit postponed

By David Buchan, East Europe Correspondent, in London

THIS WEEK's scheduled Warsaw Pact summit in Bulgaria at which Soviet allies were to have been briefed on Moscow's talks with the U.S. last week has been postponed indefinitely, according to reports in Moscow last night.

Immediate speculation on the cause of the sudden postponement centred on the possibility that President Konstantin Chernenko, aged 73, was unable to travel to the Bulgarian capital of Sofia because of his uncertain health. It would have been his first trip abroad since assuming power as party general secretary last February.

However, the announcement, relayed by spokesmen for the Soviet media to Western news agencies last night, gave no reason, except to say that the postponement was "by mutual agreement." It simply said that "the routine meeting of the political consultative committee of the governments of the Warsaw Treaty member states planned for the middle of January 1985 has been postponed to a later date, which will be co-ordinated."

Meetings of the Warsaw Pact political consultative committee, which bring together Soviet bloc party and government leaders and senior ministers, are neither routine nor regular.

The last one was two years ago in Prague, at which the Warsaw Pact offered to conclude a non-aggression pact with Nato, and the one scheduled for Sofia this week would have enabled Soviet allies to hear first-hand from Mr Andrei Gromyko, the Soviet Foreign Minister, what he discussed with Mr George Shultz, the U.S. Secretary of State last week in Geneva.

The concluding communique might also have given further indication of the Soviet approach to the forthcoming arms control negotiations with the U.S., beyond the long, televised press conference given by Mr Gromyko on Sunday.

The postponement decision seems to have been primarily made in Moscow. The Bulgarian hosts, apart from being coy about exact details of the Sofia meeting (which is not unusual where Soviet bloc gatherings are concerned), were, over the weekend, setting up press facilities for visiting reporters.

The Soviet Union is not under quite the same political pressure to keep its allies briefed as the U.S. is in Nato. None the less, the six East European members of the Warsaw Pact have been pressed recently by Moscow to raise their defence spending and, in the case of East Germany and Czechoslovakia, to accept new Soviet missiles, and, as much as their West European counterparts, they would now want to know the prospects for the superpowers reaching arms control agreements.

Martens restates commitment to deploy U.S. cruise missiles

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE REAGAN Administration yesterday expressed confidence that Belgium would proceed with the deployment of its first cruise missiles, after talks between President Ronald Reagan and Mr Wilfried Martens, the Belgian Prime Minister.

Emerging from a two-hour session at the White House, Mr Martens firmly re-iterated his country's attachment to Nato's 1979 "dual track" decision to deploy 572 U.S. cruise and Pershing-2 missiles while attempting to negotiate limits on the missiles with the Soviet Union. Forty-eight cruise missiles are due to be based in Belgium.

A senior Administration official said that the U.S. was reassured and very pleased by Mr Martens's statement at a time when he was facing strong domestic opposition to the March deployment date set by his Government in November.

Mr Martens must now show the political courage to face this opposition, so as to strengthen the U.S. hand at the negotiating table with the Soviet Union, the official said.

Mr Martens told Mr Reagan that his Washington visit marked the first in a series of consultations he planned to hold with Belgium's Nato allies in advance of the deployment decision. The assumption in Washington was that he would seek strong backing from the other countries to help him to push the decision through.

Mr Reagan had "very clearly stated his hope and expectation" that Belgium would honour its commitment under the Nato decision, U.S. officials said. Mr Reagan told Mr Martens that allied solidarity was essential as the U.S. returned to the negotiating table with the Soviet Union.

In a statement after the meeting Mr Reagan said "the progress we are now enjoying" in the arms control negotiations with Moscow was linked to Nato's commitment to deploy the new weapons. That was why the U.S. gave special emphasis to the continued deployment of the intermediate range missiles.

Mr Martens said that he had confirmed Belgium's commitment to the dual-track decision as an "expression of firmness in defence and of openness for dialogue." He gave no clear undertaking, however, that the missiles would be deployed in March.

U.S. officials pointed out that while the 1979 decision allocated Belgium a share of the missiles, the deployment schedule was decided subsequently. The 1979 decision, however, made it clear that the only grounds for interrupting the deployment would be a negotiated agreement with Moscow, not simply an agreement to negotiate, such as emerged from last week's U.S.-Soviet talks in Geneva.

P & O merger lifts shares 17%

BY MARTIN DICKSON IN LONDON

THE SHARE price of Peninsular & Oriental Steamship Navigation (P&O) rose 17 per cent yesterday as an otherwise bearish London market enthusiastically welcomed details of the £985m ($1.1bn) merger agreed between it and property group Sterling Guarantee Trust (SGT).

Shares in the two companies – both of which are headed by Sir Jeffrey Sterling – had been suspended since last Wednesday while their financial advisers worked on final details of the long-expected package.

It was announced yesterday that the merger would take the form of P&O bidding two of its deferred shares plus 55p nominal of 6.3 per cent convertible redeemable preference stock for every 11 SGT ordinary shares.

When dealings were resumed, P&O's share price rose sharply from the suspension price of 325p to reach 395p before falling back to close at 380p. At that level the bid values SGT shares at about 74p, which was the suspension price.

SGT shares closed last night at 72p, however. The deal would give the combined group a market capitalisation of about £985m.

An unusual feature of the deal is that SGT's existing 20 per cent holding in P&O will be offered to P&O shareholders in a one-for-four rights issue that will strengthen the combined group's balance sheet by about £80m.

Given Sir Jeffrey's role in both companies and his substantial shareholding in SGT, the two negotiating teams had been anxious to construct a package that would be seen in the City as fair to both sides.

Last night the indications were that they had succeeded. One leading institutional investor in both companies said: "If one accepts that the merger is in principle a good idea – and we do – then the terms are as reasonable as could be expected."

Hambros Bank and the Prudential Corporation, which have been long-term backers of SGT and hold about 14 per cent of its equity, said they would accept the offer, as would the company's directors, who account for about 2 per cent of its ordinary shares.

SGT has been advised in the deal by Hambros and Barclays Merchant Bank. Morgan Grenfell has acted for P&O.

The deal will give SGT shareholders a 38.6 per cent stake in P&O's enlarged equity, although that would rise to 45 per cent on full conversion of the preference stock.

The preference shares are convertible between 1985 and 1990 on the basis of 100 P&O shares for every £340 nominal of convertibles.

See Lex, this page

£ falls despite jump in UK rates

Continued from Page 1

MPs were critical of the apparent confusion in the presentation of government policy as reflected in conflicting press reports at the weekend. Treasury officials blame Downing Street briefing for giving the impression that ministers were unconcerned by the fall in sterling.

On the money markets, the pound's late fall pushed the key three-month interbank rate up to nearly 12½ per cent at the end of the day. It also became clear that before the MLR announcement at least one of Britain's main commercial banks had decided to set its base rate at 12½ per cent.

The Government, however, appeared confident that the 12 per cent rate would restore stability to financial markets. Foreign exchange dealers also pointed out that it often took a few days for a rise in interest rates to feed through into a stronger exchange rate.

The Bank of England signalled its view that borrowing costs had now peaked by issuing a new £800m tap stock to go on sale tomorrow.

The stock, 10½ per cent Exchequer 2005, is seen by the authorities as providing the opportunity to break a long lull in its funding operations, and its method of issue has been chosen to allow the central bank maximum flexibility in setting the price.

Ivor Owen adds: In the House of Commons, Mr Roy Hattersley, the Labour Party's deputy leader and Shadow Chancellor of the Exchequer, led an attack on Mr Lawson – interpreting the reintroduction of MLR as signalling the Government's mishandling of the sterling exchange rate and the collapse of its entire economic policy.

Mr Lawson refused to be drawn into confirming hopeful suggestions from Conservative MPs that MLR was unlikely to stay at 12 per cent for very long.

Labour MPs jeered when he said that MLR would be retained at 12 per cent for just as long as it was necessary to secure proper monetary control and proper monetary conditions, and the continuation of the success against inflation.

Mr Hattersley maintained that the abandonment of the policy of leaving interest rates to be determined by market forces represented a disaster for the economy

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	9	48	Dubrovnik	S	8	46	Malaga	S	11	52	Salzburg	Sn	-9	16
Akrotiri	F	16	61	Faro	S	9	48	Malta	F	14	57	Seoul	C	-8	18
Algiers	F	11	52	Florence	R	2	36	Manila	F	29	84	Singapore	S	30	86
Amsterdam	C	-6	21	Frankfurt	S	-9	16	Miami	C	13	55	Stockholm	C	-6	21
Athens	F	10	50	Funchal	C	15	59	Milan	Sn	-1	30	Strasbourg	F	-8	18
Bahrain	S	21	70	Geneva	Sn	-7	19	Moscow	F	-16	3	Sydney	S	22	72
Bangkok	F	33	91	Gibraltar	C	11	52	Munich	Sn	-12	10	Taipei	C	15	59
Barcelona	S	1	34	Guernsey	Sn	-2	28	Nairobi	-	-	-	Tangier	-	-	-
Beirut	C	16	61	Helsinki	Sn	-17	1	Naples	F	6	43	Tehran	-	-	-
Belgrade	C	-3	27	H. Kong	S	17	63	New Delhi	S	12	54	Tel Aviv	C	21	70
Berlin	Sn	-10	14	Innsbruck	Sn	-11	12	New York	S	-1	30	Tenerife	-	-	-
Biarritz	Sn	-4	25	Inverness	C	-1	30	Nice	C	1	33	Tokyo	S	8	46
Blackpool	S	-1	30	Istanbul	Sl	3	37	Oporto	S	8	46	Toronto	C	-3	27
Bordeaux	Sn	-9	19	Jersey	F	-2	28	Oslo	F	-7	19	Tunis	F	11	52
Brussels	Sn	-10	14	Jo'burg	F	26	79	Paris	F	-7	19	Valencia	F	7	45
Budapest	S	-6	21	Las Palmas	F	19	66	Prague	Sn	-13	8	Venice	Sn	-2	28
B. Aires	R	29	84	Lima	F	25	77	Reykjavik	F	3	37	Vienna	C	-9	16
Cairo	F	22	71	Lisbon	S	8	46	Rio de J'o	C	33	91	Warsaw	S	-10	14
Cape Town	C	26	79	Locarno	Sn	-2	28	Rome	F	11	52	Zurich	Sn	-11	12
Caracas	C	26	79	London	Sn	-1	30								
Casablanca	C	12	54	Los Angeles	F	8	46								
Copenhagen	Sn	-4	25	Luxembourg	S	-12	10								
Corfu	R	8	46	Madrid	C	2	36								
Dublin	Sn	2	36	Majorca	F	7	45								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

£155m UK bank deal

BY MARGARET HUGHES IN LONDON

ROYAL BANK of Scotland confirmed yesterday that it is to buy Charterhouse Japhet, the merchant banking arm of the Charterhouse J. Rothschild group and associated development capital companies. Including intra-company debt owed by Charterhouse Japhet to its present parent company, Royal Bank will pay £155m ($173m) for the acquisition.

The purchase will be financed by a one-for-four rights issue at 210p which Royal Bank said would raise £115m after expenses. Mr Sidney Procter, chief executive of Royal Bank, said such an acquisition would have been impossible without some kind of equity issue.

"We would, have been stretched to find the funds out of our own resources," he said. The rights issue has been underwritten by Baring Brothers with Laing and Cruickshank and Bell Lawrie, MacGregor the brokers.

Mr Procter said the purchase price represented a 12-13 per cent premium on the net asset value of Charterhouse Japhet, including its £27m stake in Woolworth Holdings.

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French steel groups discuss merger

By David Housego in Paris

SACILOR and Usinor, France's state-owned steel groups, are seeking government approval for a merger of their interests with the potential to create a group second in size only to Japan's Nippon Steel.

The aim of the merger would be to prevent destructive competition and to better co-ordinate investment. The groups have combined sales of FFr 64bn (6.26bn), but lost about FFr 8bn in 1984 after losing FFr 10bn in 1983.

Usinor last night confirmed that a merger was again under discussion. M René Loubert, Usinor chairman, and M Claude Dolle, his counterpart at Sacilor, wrote to the Government at the end of last year proposing the link-up. In the first instance it would take the form of creating a joint holding company to act as umbrella for their interests.

The group would like the merger to be accompanied by at least a partial consolidation of their debt to reduce financial charges.

Mme Edith Cresson, Industry Minister, is believed to favour the move as speeding the elimination of losses in the industry. M Laurent Fabius, the Prime Minister, has yet to decide, however. A factor weighing against a merger is the opposition of French steel purchasers, who fear the elimination of competition on the domestic market.

Pressure towards a closer link between the two steel groups has grown since the Government announced its revised steel plan in March 1984. Under the plan Usinor and Sacilor had to set up a jointly held long products subsidiary, Unimetal, and a jointly held engineering steels company, Ascometal. They were also asked to co-ordinate sales policy.

The main area in which they remain competitive is flat products (sheet metal). Even here, their financial difficulties and the problems of competitive investment plans for the coastal steel mills, and for high-cost Lorraine mills in eastern France, have been pushing them towards closer co-ordination.

Siemens plans U.S. acquisition

By Jonathan Carr in Frankfurt

SIEMENS, West Germany's biggest electronics concern, is to bid for Allen-Bradley, a leading U.S. manufacturer of factory automation equipment with an annual turnover of about $1bn.

A Siemens spokesman yesterday confirmed that his company was interested in acquiring the U.S. concern, but stressed that others were known to be in the hunt.

Allen-Bradley came up for sale in October. Its shares are held by several trusts and the company board is controlled by the trustees. The Siemens spokesman gave no details of what kind of purchase price might be involved.

The German company has plenty of funds available for investment. Profits for 1983-84 are believed to have been well above the DM 802m ($254.6m) net of the previous year, and the dividend is being boosted to its highest level since World War Two.

The acquisition of Allen-Bradley would fit well into Siemens' strategy, considerably strengthening its position in the U.S. in a field to which it is giving very high priority.

Siemens is already Europe's leading producer of programmable controllers – also an Allen-Bradley speciality – selling more than 80,000 of its Simatic S5 systems since 1979.

Oslo set to agree spot oil pricing

Continued from Page 1

The Aramco companies, which receive preferential terms for lifting Saudi crude, have reduced their January offtake to a little more than 900,000 b/d – about half the level at the peak last year. Oil industry rumours that Mobil and Chevron, two of the Aramco members, have completely cancelled January liftings are denied.

BNOC has realised an average price of about $27.35 a barrel for its sales of North Sea crude for delivery this month, according to Mr John Thompson, oil analyst at London brokers Fielding Newson Smith.

Mr Thompson argues that BNOC is now chiefly selling March crude, having disposed of most of its February North Sea production at around $27 a barrel.

THE LEX COLUMN

A tale of two sterlings

When the curtains parted for the return appearance of MLR – for one night only, according to the billboards, and at the same 12 per cent level as on its last "farewell" performance in 1981 – there was little nostalgia in the audience.

Although the show got a respectful bearing at first, in the form of a one-point rise in the sterling index, the magic wore off pretty fast. By the end of the day interbank rates were already consistent with a still higher level of base rates than the Bank of England had indicated, while the pound had relapsed to about $1.11 – more or less where it had been when the proceedings began.

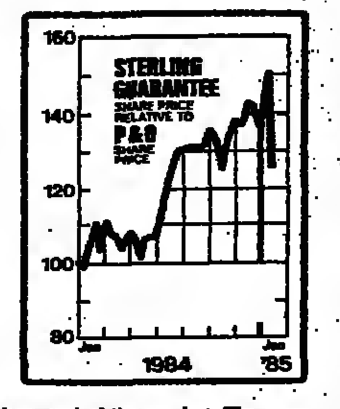
Defending the currency after the event, by hoisting interest rates, has had very mixed results in the past. As often as not it has taken more than one jolt of administered interest rates to stop the currency speculators, and the dose tends to wear off rather soon.

If things are not going particularly well anyhow, the effect will be uncertain at best. It was certainly bad luck for the authorities yesterday to have their decisive action apparently trumped by news that Norwegian oil would be sold at the spot rate - undercutting BNOC. Yet the run on sterling has been largely oil-driven, and there was every reason to fear some such move before long.

The sudden restoration of MLR has done nothing to reinforce belief in the Bank's free-market version of monetary control, which has been on display for the past three years.

So far as the daily arrangements go it is no doubt true that nothing has really changed. With a new level of rates established by force – as a public demonstration that they mean business – the authorities will presumably be able to return to setting rates less obtrusively on the discount market. The inability of the Bank's bill buying system to produce the rapid jump required yesterday, however, is one more indication of its artificiality: the bill market is not where rates are really made when the chips are down.

Yesterday was, perhaps, not a bad time to tap the gilt-edged market. The risk of it falling much further, or being undermined by a renewed run on sterling, must now be more limited than it was. Moreover, the tap will provide a useful bolt hole for pension fund money at the long end of the market. The money will, however, come in too late to help January's banking figures – even if it does not turn out too dear to sell tomorrow. Yesterday afternoon prices slid away from it quite alarmingly.



P&O/Sterling

Sir Jeffrey Sterling could surely not have chosen a worse day to unveil the terms of the merger of the two companies that bear his stamp. Yet so fashionable has he become that little short of the Last Judgement could have stopped the market from rushing into P&O, which rose 45p from its suspension price of 325p and on its own put a five-point cushion under the 30-year index.

This may be just one more sign of the perversity of equity markets, for there is little to link P&O and Sterling Guarantee Trust but the person of Sir Jeffrey himself, and present P&O shareholders face earnings dilution of up to 20 per cent from the deal. This is because SGT shareholders, such as Sir Jeffrey, will end up with 45 per cent of the enlarged equity but the group itself will have contributed only about 25 per cent of combined 1984 pre-tax profits.

Admittedly the mismatch between the two in making up combined net assets of about £725m is much smaller, and SGT is bringing forward its property revaluation for the offer document next month. The £85m to be raised from the one-for-four rights issue being made of SGT's 20 per cent in P&O will do much for the new balance sheet. Net debt to shareholders' funds of about 40 per cent is an improvement for both P&O and SGT.

Whether an historic p/e of 15 is justified for a service-oriented conglomerate, nobody seems really to have asked. SGT shareholders are getting a high-yielding stock while their colleagues at P&O are getting... well, Sir Jeffrey.

Judged on the difference in market capitalisation since the deal surfaced at the beginning of December this asset is worth about £300m.

RBS/Charterhouse

The Royal Bank of Scotland has long wanted to shed the provincial image that its name conveys. Its imminent merger with Williams & Glyn's shows as much. In the meantime, by acquiring Charterhouse Japhet from Charterhouse J. Rothschild, it has bought itself a merchant banking cachet, too. To compete with the other clearers, this seemed vital, both to service its corporate customers' increasingly sophisticated financing needs and to add some higher-quality fee income to the margins it makes on lending.

The bank is paying a premium of about 13 per cent over Charterhouse's net asset value, or about double that if the stake in Woolworths is excluded. The price values Charterhouse at about 11 times prospective earnings, which may seem a touch expensive – but then merchant banks of that size are hard to come by.

RBS has not been cavalier in issuing paper, and this rights issue seems better justified than many. Though earnings per share will be diluted by about 10 per cent the dividend will be held and shareholders should be pleased to see that RBS's free capital ratio will rise from 4.8 per cent to 5.89 per cent.

If the bank looked vulnerable to predators before, it looks less so now. Market capitalisation is now close to £650m, even on shares down 22p to 228p, and the supposedly more dynamic image of a merchant/clearing bank should go down well in a defence document.

J. Rothschild, meanwhile, has plenty of cash to play with, and has been canny enough to hold on to the extremely profitable U.S. leveraged buyout arm of Charterhouse. With a net asset value of 128p a share, it could do worse than buy back some of the mound of paper it has issued in the last couple of years. Yesterday, the shares stood at just 106p, down 10p.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

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FINANCIAL TIMES

Tuesday January 15 1985

Chase Manhattan and J. P. Morgan continue upswing

BY PAUL TAYLOR IN NEW YORK

CHASE Manhattan and J.P. Morgan, two of the largest U.S. banking groups, yesterday reported sharply higher fourth-quarter earnings, continuing the pattern established last week by Chemical New York.

Chase reported fourth-quarter earnings of $120m, or $2.56 a share, up 9.1 per cent over the $110m, or $2.78, reported in the 1983 period. This was not sufficient to offset earlier earnings weakness, however, and full-year earnings last year totalled $406m, or $9.01 a share, 5.6 per cent lower than the $430m, or $10.96, reported in 1983.

J. P. Morgan, parent of Morgan Guaranty, said its fourth-quarter net earnings increased by 32.8 per cent to $167.5m, or $1.90 a share, compared with $126.1m, or $1.44, in the 1983 period. The sparkling fourth-quarter performance helped lift full-year earnings by 16.9 per cent to $537.6m, or $6.07 a share, from $460m, or $5.26. Per share figures have been restated to take account of a two-for-one stock split in the form of a 100 per cent stock dividend declared last month.

Chase said its provision for possible loan losses in the quarter totalled $90m, compared with $75m in the 1983 quarter, while net charge-offs fell to $59m from $62m. For the full year the banking group's provision for possible loan losses increased to $365m from $285m, and net charge-offs fell to $215m from $255m. The resulting reserve for possible loan losses increased to $761m, or 1.23 per cent of total loans, compared with $564m, or 1.01 per cent of total loans, a year ago.

J. P. Morgan attributed its substantial 1984 earnings gains primarily to an increase in non-interest operating income, a decrease in the provision for possible credit losses and a decline in income taxes, which fell from $190.7m in 1983 to $165.1m last year.

The New York-based banking group said these positive factors were partly offset by a moderate increase in non-interest operating expenses, which grew by 9.6 per cent over the year and by 18.8 per cent over the quarter. The bank also noted that the recent payment of interest arrears by Argentina bolstered net income. Had these payments not been made, fourth-quarter net income would have been $14.2m lower.

Like the other large banks which have already reported fourth-quarter net earnings, J. P. Morgan's results reflected a surge in foreign exchange trading

First Chicago comes back in final quarter

BY OUR NEW YORK STAFF

FIRST CHICAGO, the bank which announced a surprise $72m loss in its third quarter, yesterday reported a 46 per cent rise in its final-quarter net income to $55.5m.

Since early October, when First Chicago announced a sixfold increase in its third-quarter loan loss provision to $306m following a special study by U.S. bank examiners, the financial markets have been nervously waiting to see whether the giant provision was a "one-time event," as management insisted.

The group's net income for the year to end December is down 53 per cent to $86.4m — its lowest since the depressed levels of 1980 — but Mr Barry Sullivan, chairman, yesterday stressed that the latest results indicated the bank had "returned to more normal levels of profitability."

On Wall Street First Chicago's shares, which had falleo sharply in the aftermath of the provisions in October, improved yesterday. In early trading they were $¾ better at $22⅝, against a recent low of $19⅛.

The group's provision for loan losses in the latest quarter returned to more normal levels totalling $60m. While this is a far cry from the third-quarter figure, it is still nearly 50 per cent higher than the average quarterly provisions in the year and a half to the end of June 1984.

First Chicago's allowance for possible loan losses rose to $291.7m, or 1.14 per cent of loans outstanding at end December, compared with $278m, or 1.13 per cent, at end September 1984.

Armco to dispose of finance subsidiary

By Andrew Baxter in New York

ARMCO, the fifth largest U.S. steelmaker, has signed a letter of intent to sell Armco Financial, its domestic commercial finance subsidiary, to Glendale Federal Savings & Loan Association of California for between $60m and $70m.

The deal, which bad been expected, is part of Armco's plan to divest itself of its financial services operations, the greater part of which is in insurance. While the price of the Glendale deal is relatively small, it is unusual for an S & L to move into commercial finance.

Armco Financial, which is based in Dallas, provides a broad range of services including financing of accounts receivable and machinery and equipment. Discussions on the sale of similar operations in the UK and Australia are continuing.

Armco said yesterday that its insurance subsidiary was still for sale following the abortive discussions last year with Allianz, the leading West German insurance company.

Datapoint rejects Edelman bid

By Our New York Staff

DATAPOINT, the Texas-based manufacturer of office communications systems, has rejected a bid valuing the company at $464m from Mr Asher B. Edelman, a New York investor, because of conditions attached to the offer.

Mr Edelman, who owns abont 10 per cent of Datapoint's shares and is offering $418.3m, or $23 a share, for the rest, wants exclusive negotiating rights whith Datapoint for 60 days. He is also seeking to be paid $15m or given an option to raise his stake to 18.5 per cent if Datapoint receives a more favourable offer.

Datapoint said yesterday, however, that other companies were interested and that Mr Edelman's conditions were not in shareholders' interests.

Mr Harold O'Kelley, Datapoint's chairman, said in a weekend letter to Mr Edelman that the company welcomed his interest and was prepared to meet and work with him.

WEATHER-RELATED DISASTERS WILL SWELL THE DEFICIT 58%

U.S. insurers braced for record losses

BY PAUL TAYLOR IN NEW YORK

THE NEXT few weeks will see large U.S. property/casualty insurance companies rolling out fourth-quarter and full-year results they would almost certainly prefer to forget.

Recent estimates by A. M. Best, the independent statistical and analytical organisation, and the Insurance Information Institute, the industry trade group, suggest that 1984, by almost all measures, will have been the disaster most industry experts feared it would be.

Preliminary estimates show that the U.S. property/casualty insurance industry's combined underwriting losses last year totalled about $21bn, an increase of almost 58 per cent over the record $13.3bn underwriting loss in 1983. Underwriting losses over the two years will total more than the deficit for the previous 25 years.

Net earned premiums, which are premiums covering that period of an insurance contract already completed, increased by 7.8 per cent to $114.6bn from $106.3bn in 1983. Net written premium volume rose by 8 per cent to $117.1bn from $108.4bn.

The $21bn estimated underwriting loss last year is composed of a record $18.7bn in statutory underwriting losses (premiums earned minus losses and operating expenses) and $2.3bn in premiums returned to policyholders as dividends.

These underwriting losses reflect in part an "unlucky" streak of weather-related disasters. The institute estimates that insured losses from 28 catastrophes, including hurricane "Diana," toroadoes, earthquakes and other natural disasters, totalled more than $1.5bn in 1984, making it the third worst year in history.

The fundamental problem bas arguably been inadequate pricing caused by six years of fierce competition within the industry, bowever. This is reflected in the continued deterioration of the underwriting cycle during 1984. The property/casualty industry's combined ratio, a key percentage ratio measuring claims and expenses as a percentage of premiums, climbed to 117.7 per cent last year from 112 per cent in 1982.

Several factors make the industry's problems more acute: reserves, whicb are typically adjusted in the fourth quarter are thought to bave required further bolstering by many companies in the latest period; deferred taxes, wbich bave proved important In recent years because they can be used to offset underwriting losses, are running out; and while underwriting losses have exploded, investment income has slowed.

UK life companies in 1984 enjoyed another good year for new life and pensions business, despite the ending of tax relief on life assurance premiums in last year's budget, writes Eric Short.

Figures issued yesterday by the Life Offices Association, the Associated Scottish Life Offices and the Industrial Life Offices Association showed that total new premiums, annual and single combined, rose by 18 per cent last year from £5.43bn ($6.1bn) to £6.43bn. This increase, well ahead of inflation, compares with the record 37 per cent increase in 1983.

Investment income grew by 8.1 per cent to $17.3bn last year from $16bn in 1983, according to institute figures. So for the first time, investment income failed to offset the underwriting loss resulting in an estimated pre-tax operating loss of more than $3.5bn.

Property/casualty insurance groups, as a result, are being forced to eat into policyholders' surplus, the balanre remaining after liabilities bave been deducted from all assets. According to A. M. Best and the institute's figures, policyholders' surplus fell by $5.6bn last year to $60bn at year end. Some companies are now forced to limit the writing of new business because insurers must maintain o prudent ratio of surplus to premiums.

Perhaps the only positive factor to emerge in 1984 is that these pressures have at last begun to force pricing increases, particularly for commercial lines where the average price increase among the nation's 2,900 property/casuolty insurers is about 20 per rent. For example, Crum and Forster, the Xerox insurance group, is seeking an average 25 per cent increase in commercial policies.

The new sense of price discipline is reinforced further by the fact that the property/casually companies are being made to pay more themselves by re-insurers.

The first price increases appeared last spring and have since picked up momentum. Some companies have increased the price of liability coveroge for company officers and directors by 60 per cent and even 100 per cent, according to Business Week magazine.

Auto insurance premiums (which account for 44 per cent of all property/casualty premiums), as measured by the consumer price index, rose 7.4 per cent last year. The cost of most goods and services related to motor insurance increased by much less: auto repairs and maintenance costs increased by 3.5 per cent.

"This represents a catch-up," said Dr Sean Mconey, the institute's economist and vice-president for planning and issues analysis.

"In five of the past six years, auto insurance rale increases have been below the increases in auto parts costs and medical costs," he said.

There is still ground to make up — if the start of this six-year period is used as a base, outo insurance rates are now 7 per cent behind the cost index for maintaining and repairing the car.

These price increases appear to be sticking, but the question is wbether the price rises, and a serious effort by some of the larger companies like Continental Corporation and others to cut costs, have come soon enough to prevent a further shakeout in the industry accompanied by a wave of baokruptcies and mergers. Views differ.

Masco buys NI Industries for $460m

By Andrew Baxter In New York

NI INDUSTRIES, a California-based manufacturer of building, industrial and defence products, is being taken over in a complex $460m deal involving Masco, the Michigan tap producer, and its spin-off Masco Industries.

Nimas, a new company jointly owned by Masco and Masco Industries, is to offer $22 a share in cash for all NI shares held publicly. Founding sbarebolders of NI will sell their 13.3m shares — about 60 per cent of the stock — at an average price of $20 a share.

The two Masco companies will each invest $50m in Nimas. After the merger, Nimas will sell NI's building products unit to Masco for $150m.

K mart takes over Pay Less

By Our New York Staff

K MART of the U.S. which claims to be the second largest retailer in the world, is continuing its diversification plans with the $500m acquisition of Pay Less Drug Stores Northwest.

Pay Less, headquartered in Wilsonville, Oregon, operates a chain of 164 drug stores in Oregon, Washington, California, Idaho and Nevada.

K markt, which operates 2,100 discount stores in North America, bas been working hard in recent months to diversify its beavy reliance on profits from its discount stores.

In August it bougbt Waldenbooks, one of America's largest book shop chains, for $295m

Staley sells soyabean milling operations

BY OUR NEW YORK STAFF

A. E. STALEY Manufacturing, the big Illinois-based grain processor, has sold its soyabean milling operations to Independent Soy Processors, an Illinois partnership, for an undisclosed cash amount.

The operations being sold bad sales in the year ended September 30 of $700m but were only marginally profitable. Staley said the divestiture was in keeping with a redirection of the company away from agricultural commodities towards the "value-added" end of the U.S. food delivery system.

Staley plants involved in the sale includes soyabean processing mills in four states and a milling and refining complex in Iowa. The support group for the operations, based at Staley's headquarters, will be dishanded with the loss of 30 jobs.

Setback for Nike in second quarter

BY OUR NEW YORK STAFF

NIKE, the ooce high-flying U.S. athletic footwear and clothing producer which is facing increasingly tough competition, has plunged to its first quarterly loss since going public in 1980.

The Oregon-based company, which has a 35 per cent share of the U.S. athletic sboe market, reported a net loss for the secood quarter ended November 30 of $2.2m, or 6 ceots a share, against income of $5.8m, or 15 cents, in the 1983 quarter.

Six months' net income fell from $28.3m, or 75 cents a share, to $5.6m, or 15 cents. Sales rose from $439.1m lo $468.5m, with $183.9m against $168.9m in the lalest quarter.

Nike blamed the loss on a lower gross margin and higher selling and administrative costs.

INTERNATIONAL COMPANIES and FINANCE

Japan Airlines buys hotel

By Emilia Tagaza in Manila

JAPAN AIRLINES has taken control of Manila Garden Hotel, one of the Philippines' foremost luxury hotels.

The takeover was approved by the Board of Investments after Japan Airlines paid 210m pesos (US$10m) for the shares of the state-owned Development Bank of the Philippines (DBP). The purchase raised Japan Airlines' interest in the hotel from 10 per cent to 92 per cent.

The sale is the latest in a series of hotel divestments by the financially troubled DBP. The bank's lending and investment activities are being severely restrained by the International Monetary Fund which recently approved an SDR615m stand-by credit for the Philippines. DBP has amassed a considerable number of bad loans, forcing it to convert such loans into equity and finding itself as majority owner of troubled companies.

Four months ago, DBP sold its controlling interests in the Manila Peninsula Hotel to a group which includes the Hong Kong-based firms of Swire Group, the Hong Kong-Kowloon Wharf Company, and the Hong Kong and Shanghai Hotel Corporation.

Dubai launches rescue of Emirates National Bank

BY KATHLEEN EVANS IN KUWAIT

DUBAI's GOVERNMENT has moved once again to bolster confidence in the face of the imminent insolvency of the Emirates National Bank (ENB) by acting as a midwife in a rescue package.

The rescue comes in the form of a takeover of ENB by Union Bank of The Middle East—a Dubai-based institution which is now 73 per cent owned by the Emirate's government. UBME was taken over following bankruptcy procedures being initiated against its former chairman Mr Abdul Wahab Galadari.

ENB is a small one branch bank owned principally by Mr Majid Al Ghurair, its chairman. It has been known locally for some time that the bank had been hit by large loan losses caused by local bankruptcies.

Mr Ahmed Al Tayer, Minister of State for Financial Affairs, and also chairman of UBME, declined to say how much had been paid for ENB, but some U.S. $100m is believed to have been made available by the Dubai government to cover the purchase price and liabilities.

The minister estimated that the bank's loan losses were "about DH200m" ($54.7m), though local bankers fear that they could be much more in debt than that. The issued capital of ENB according to the latest available figures, for the end of 1983, was DH132m.

Some DH183m out of the bank's total assests of DH1.1bn were held in the form of shares in trust by the chairman in the Bank of Oman. Mr Ghurair was earlier reported to have sold the 26 per cent shareholding in the Bank of Oman to his brother and Mr Al Tayer declared that the funds from the sale of the shares were included in the bank's assets at the time of the takeover on January 9.

The takeover of the bank has been portrayed in Dubai as a merger between the two banks rather than a bail-out. Al Tayer characterised the purchase as an "investment by the Dubai Government."

It appears that ENB will shortly be asorbed by UBME and will lose its corporate identity.

The takeover may have been precipitated by a recent circular by the UAE Central Bank urging that banks properly classify their loans.

The circular, issued over the Christmas period, outlined the categories of loans which should henceforth be regarded as high risk, substandard and clear losses. Substandard loans were described as those where the interest was 180 days in arrears. Banks are now forbidden to accrue the interest and were ordered to open special "interest in suspense accounts."

Despite the clear long-term nature of the slump in trading in the area, some banks in the UAE have been accruing interest on loans which were clearly non-performing. The move by the Central Bank will impact considerably on year-end balance sheets in the country and should force banks to appraise their loan portfolios realistically.

Arnotts acts to counter IEL bid for Allied Mills

By Michael Thompson-Noel in Sydney

ARNOTTS, which has an estimated 75 per cent of the Australian biscuit market, was thought to have been the main buyer yesterday of shares in Allied Mills as a counter-measure to the partial takeover offer for Allied launched last Friday by Mr Ron Brierley's Industrial Equity (IEL).

Allied is Australia's biggest flour, margarine and vegetable oil producer with sales of more than A$700m (US$574m).

IEL, an aggressive Sydney-based investment group, is offering $A2.75 for 40m shares in Allied Mills, and says it also plans to buy enough additional shares through the market to lift its current holding of about 6 per cent to almost 60 per cent.

Yesterday Allied shares closed 10 cents higher at A$2.90. The main buyer was reckoned to have been Arnotts, which may be Mr Brierley's real target. Allied owns 19.9 per cent of Arnotts while Arnotts owns more than 15 per cent of Allied.

IEL's most famous shareplay in recent times was its bid for Carlton and United Breweries, Australia's biggest brewer, in late 1983. This drew a successful counter bid from Elders-IXL and yielded Mr Brierley a healthy profit.

Shares in Arnotts rose 40 cents to A$3.55 yesterday amid conjecture of a possible merger of Allied and Arnotts to thwart IEL.

Allied's board is expected to make a recommendation on the IEL offer, after its regular monthly meeting tomorrow.

Bond Corporation, master company of Perth entrepreneur Alan Bond, owns about 3 per cent of Arnotts which has sales of almost A$500m.

Kuwait bank lifts BMB stake

BY MARY FRINGS IN BAHRAIN

BURGAN BANK, which is 51 per cent owned by the Kuwait Government, has subscribed U.S.$40m in new capital to the $100m Bahrain Middle East Bank (BMB), which has not developed as fast as had been hoped in its two years of operation as a locally incorporated Bahrain offshore banking unit (OBU).

The move given Burgan 28.5 per cent of BMB, whose total shareholders' equity will rise to $161m — money which BMB wants for investment in several going concerns abroad.

Mr Katch J. A. Katchadurian, the general manager, says BMB is making provision for a $35m investment in an as yet unnamed U.S. bank. It already has a representative office in New York. In addition the Bank is looking at opportunities in Luxembourg, Hong Kong, South Korea and Australia.

In Switzerland, BMB and two Swiss partners are awaiting the approval of the Federal Banking Commission for a joint-venture bank in Geneva, with an initial capital of SwFrs 10m ($3.8m). Ownership would be 40 per cent BMB, 29 per cent Bank Leu and 31 per cent Aubertet Cie, a privately owned Swiss investment bank.

"We are not going to be able to improve leverage by sitting here in Bahrain, because of the high degree of regional risks," said Mr Katchadurian. The leverage ratio (deposits to average equity) is currently only 2.1.

In another surprise move, Mr Katchadurian said that BMB's $12m headquarters building, which is not due for completion until the middle of this year, may be sold and leased back to avoid tying up the bank's capital in fixed assets.

This would be in line with BMB's policy of maintaining liquidity, even at the expense of profitability. Net earnings were down 47 per cent in 1984, from $7.6m to $4m, although total assets rose 16 per cent from $392m to $455m. Deposits were up only 5.6 per cent from $268m to $283m, of which $216m was interbank. Loans were up 39 per cent from $190m to $265m.

Mr Katchadurian attributes the drop in profits to declining interest margins and the decision not to participate in credits of uncertain quality. He put the bank's rejection rate of loan proposals at 87 per cent.

Last year, the Bahrain Monetary Agency and the Ministry of Commerce approved a change in BMB's capital structure by which the existing 200 partly paid $1 shares were converted into fully paid 50 cent shares. This was done with a view to improving the marketability of the stock, which has since been listed on the Kuwait Stock Exchange.

Delhi finds gas

ADELAIDE — The Epsilon Three exploration/appraisal well in the South Australian Cooper Basin flowed gas at 202,180 cubic metres per day in a drill stem test over the interval 1,841 to 1,856 metres, Delhi Petroleum, the operator, said yesterday. Reuter

MPH boosts holding in MFB to 70%

By Wong Sulong in Kuala Lumpur

MULTI-PURPOSE HOLDINGS, the Malaysian Chinese investment company, has bought a further 19 per cent in the Malaysian French Bank, boosting its stake to 70 per cent. The remaining 30 per cent of MFB is held by Bank Indosuez, one of France's state-owned banks.

The 19 per cent stake, amounting to 7.6m shares, was purchased from Kuok Brothers for 26.05m ringgit (US$10.6m).

Kuok Brothers, owned by one of the wealthiest Chinese families in Southeast Asia, has wanted to dispose of its stake in the bank since MPH took control of it in a share swap with Mr Daim Zainuddin, the Malaysian Finance Minister, last July.

MPH received 51 per cent of MFB and a cash payment of 132m ringgit from Mr Daim in return for transferring to him its 40.7 per cent stake in United Malayan Banking Corporation, which bankers say was easily worth 400m ringgit.

MPH acknowledges it paid premium prices for its 51 per cent in MFB, but points out that a condition of the deal was that the Government now considers MFB as a "special case" and it will not be required to restructure its equity to accommodate 30 per cent Malay ownership.

● Singapore's stock exchange confirmed yesterday that it is "managing and supervising" the day-to-day affairs of Alfa-Pacific Securities reports AP-DJ.

The exchange's unprecedented step was taken "at the request of all the directors and all the shareholders of the said member company."

The move marks the first time the exchange has ever stepped in to manage a member firm.

Observers are still not sure exactly what precipitated the stock exchange move.

Fall in demand brings final quarter setback at Intel

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL, the Silicon Valley semiconductor manufacturer, has reported reduced 1984 fourth quarter earnings of $23.2m or 20 cents per share, against $47.1m or 40 cents for the same period in 1983. Revenues were $416m, up from $332.4m in the fourth quarter of 1983.

Intel blamed its earnings reduction on the collapse in demand for microprocessors and related components used primarily in personal computers.

Net earnings for the fiscal year totalled $198.1m or $1.70 per share, compared with $116.1m or $1.05 in 1983. Revenues totalled $1.6bn, against $1.1bn.

Capital expenditures for the year were $390m as Intel undertook a large-scale production capacity expansion. Research and development costs totalled $180m.

"Both the rapid order growth in the first half of the year and weakness at year-end were concentrated in microprocessors and related components, the products that had grown most rapidly for Intel over the previous year," said Dr Gordon E. Moore, the chairman.

Industry analysts say that Intel, the leading supplier of microprocessors, has been more severely affected than most U.S. chip makers by turbulent conditions in the personal computer industry. Intel's long-term strategy has been to concentrate on proprietary, leading-edge integrated circuit designs which afford high profit margins. In the past, Intel has performed better than most in "down" market cycles, they note.

"As yet, we see no sign of any pick-up in demand that we would ordinarily expect in a strong economy," Dr Moore said. "I feel, however, we are well-positioned with new products to resume growth with any market recovery."

Windfall for IRI from fraud squad

By James Buxton in Rome

IRI, the Italian state industrial holding company which expects losses of about L2,400bn (£1.24bn) for last year, yesterday received a welcome L138bn boost to its account.

The sum was handed over to Professor Romano Prodi, the chairman, in Milan by the police fraud squad, mainly in the form of Treasury bonds most of which were sequestrated late last year during the investigation of a scandal involving the alleged large-scale misappropriation of funds from IRI subsidiaries.

Last October, Sig Fausto Calabria, chairman of Medicbanca, the merchant bank controlled by IRI, and Sig Sergio de Amicis, former president of Comdotte D'Acqua, the construction company, were arrested on charges of false financial disclosures, falsified accounts and embezzlement. Last month, Sig Ettore Bernabei, managing director of Ital Stat, IRI's construction holding company, was also under arrest.

It was alleged that, along with others, they participated in a scheme which swindled companies in the Ital Stat group out of a total of L240bn in the late 1970s. They allegedly did so by appropriating the interest on financing intended for the construction of roads and other public works.

The scandal of the "Fondi Neri," or "Black Fund"—as it is called here—is still an important factor on the Italian political scene.

Jeumont-Schneider sells licence

BY PAUL BETTS IN PARIS

JEUMONT-SCHNEIDER, the specialised engineering and electronics subsidiary of the private French Empain-Schneider conglomerate, has signed an agreement with Westinghouse granting the large Pittsburgh-based U.S. industrial group a licence for its electric drives system technology.

This is the first time the French company has sold a licence to Westinghouse. For nearly 100 years the Schneider group has relied on Westinghouse licences. The relationship between the two groups dates back to 1896; at one stage Westinghouse owned a small stake in a Schneider electrical products subsidiary.

Jeumont-Schneider, whose activities range from telecommunications and railways to electrical and nuclear engineering, claims to be among the world leaders with Siemens of West Germany in the technology of high speed and high powered electric drive systems and motors. The company has an annual growth rate of 8-10 per cent in this sector.

Jeumont-Schneider has also signed a co-operation agreement with Westinghouse on the motors for the electric drive systems.

The French company suggested yesterday that the U.S. has lagged Europe in electric drive technology which can provide industries with important energy savings. Westinghouse was interested in the technology for application intially in the U.S. markets for conventional power stations and wind tunnels.

Jeumont - Schneider has already supplied its electric drives system to ICI for its plant in Belfast and to Elf-Aquitaine for its refinery complex at Feyzin near Lyons.

Bouygues to pay FFr 160m for Amrep

BY OUR PARIS STAFF

BOUYGUES, the leading French private construction group, has agreed to pay FFr 160m ($16.5m) for control of a number of assets of Amrep, the oil services company which filed for bankruptcy last year.

Bouygues had originally envisaged taking over Amrep before it discovered the full extent of its losses and financial difficulties. It subsequently decided to lease some of Amrap's main activities.

The purchase price of FFr 160m was fixed by a group of experts appointed by the Paris Commercial Tribunal, which has been in charge of the Amrep bankruptcy case.

Among the assets Bouygues will take over are Amrep's UK interests, including the UIE shipyard on the Clyde, and the Technigaz subsidiary, which specialises in liquefied gas transport and storage.

Bouygues has been seeking to expand its oil services activities. Following the Amrep transaction, its oil services division is expected to report sales of more than FFr 2bn this year. The UIE shipyard will also give Bouygues its long sought presence on the North Sea market.

Under the deal, Bouygues is also taking over a 34 per cent stake held by Amrep in a French offshore rig group, Doris. Bouygues had sought unsuccessfully to take over Doris three year ago. While Bouygues will now hold a minority stake in Doris, the offshore rig company is expected to pass under the control of GTM-Enterpose, a subsidiary of the Vallourec steel group.

Schelde Chemie

Bayer and Ciba-Geigy have agreed to cease production of anthraquinone, an intermediate used in dyestuffs, at the jointly-owned Schelde Chemie plant. As a result of the inadvertent omission of several words, a report in the FT of January 11 incorrectly suggested that they were preparing to abandon the entire West German venture.

Chief for Swedish Match

BY KEVIN DONE IN STOCKHOLM

SWEDISH MATCH has appointed Mr Hans Larsson chief executive following the surprise resignation last month of Mr Gunnar Dahlsten.

Mr Larsson (42) has been executive vice-president of Swedish Match, the Swedish industrial group and the world's leading manufacturer of matches, since 1977. He has previously worked for Skandinaviska Banken, Svenska Cellulosa and Götaverken.

Before his resignation, Mr Dahlsten was considered a leading candidate for the chairmanship of Swedish Match. But in recent months, an ownership battle has been waged over the company, with the Wallenberg interests strengthening their control through the investment companies, Investor and Providentia.

The Wallenberg holding companies now own around 21 per cent of the Swedish Match equity and control more than 41 per cent of the votes. Their candidate for the chairmanship is Mr Curt Nicolin, currently deputy chairman of Swedish Match and a member of the boards of both Investor and Providentia.

Surge at Dutch paper maker

ROYAL DUTCH Papermills, the paper and paper products maker, will post a record net operating profit of more than Fl 60m ($16.9m) for 1984, more than double the previous year's figure, writes Laura Raun in Amsterdam.

Turnover will climb about 25 per cent to Fl 1.5bn on a record level of production, while net income also will reach an historical high, according to Mr F. J. de Wit, chairman of the board. He attributed the performance to the stronger-than-expected economic recovery in Western Europe and the company's increased efficiency.

UK COMPANY NEWS

S & N in £52m U.S. health care purchase

BY ALEXANDER NICOLL

A U.S. $57.9m (£52m) acquisition in the U.S. health care field was announced yesterday by Smith & Nephew, the UK-based manufacturer of medical and hygiene products and toiletries.

It has agreed to buy 72.7 per cent of Affiliated Hospital Products from United Industrial Corporation, and will make a cash tender offer for the remaining shares, which are quoted on the American Stock Exchange.

Smith & Nephew already has a growing health care business in the U.S., and had expressed its intention to expand further through acquisition. "The object of our search in the U.S. has been to find a solidly based business dedicated to selling to hospitals," Mr Eric Kinder, chief executive, said yesterday.

About 55 per cent of AHP's turnover—which totalled $64m in 1983—comes from the manufacture of surgeon's gloves, for which it has almost a quarter of the U.S. market. Among other products are equipment such as operating tables, hypodermic and dental needles and drug delivery systems. It has facilities to make generic drugs.

Smith and Nephew's existing U.S. medical business will be integrated into AHP, which has a nationwide distribution networkwork and will retain existing management.

The UK company is confident about AHP's prospects despite a 1984 halt in profit growth. Pre-tax profits rose from $2.0m in 1979 to $6.3m in 1983, but in the first nine months of 1984 they were $4.1m compared with $4.2m in the comparable year-ago period.

It attributed the setback to reduced demand from U.S. hospitals for disposable products and a fall in exports caused by the dollar's strength.

Mr Kinder said all sectors of the industry had felt the effects of cost containment programmes at American hospitals, but that these led to de-stocking rather than a permanent reduction in demand. Smith and Nephew was focusing on after-care centres which are taking an increasing proportion of patients and need the safe products as hospitals.

AHP's drug delivery systems are of particular interest to Smith and Nephew, which has already developed products such as Minims, single-dose eye medicaments.

The exact form of the consideration is not yet fixed. One option being considered is the issue of a $42.7m six-year, 14 per cent promissory note to United Industrial. The cash offer for the remainder is at $36 per share, compared with AHP's suspension price of $25⅞.

BOC in U.S. and European disposals

INDUSTRIAL GASES group BOC has sold another part of its troubled U.S. welding business. The Jackson Products division, which makes safety and welding accessories, has been sold to an unidentified private company in the U.S.

The group has also sold its 50 per cent interest in Industrial de Gases Hispano Inglesa to its Spanish partner AMSA, and the whole of its German subsidiary, Helmsyphon GMBH. Helmsyphon, which makes soda syphons, bulbs and cream whipping equipment, is the last remnant of the Sparklets soda syphon business, which BOC closed down in 1981.

Total payment for the businesses sold is around £14m, with Jackson accounting for much the largest part. BOC is still negotiating to sell another U.S. welding business, Aronson, after which the capital investment in the welding division will have been reduced by over 80 per cent from its peak of two years ago.

The group's Glasrock home oxygen subsidiary in the U.S. has bought six distributor outlets for some £2?m since the September year-end, bringing its total number of outlets to over 200.

Cuts in healthcare budgets have recently affected BOC's hospital business in the U.S., and the group has aimed to increase its involvement in the still buoyant home healcare market.

Ivory & Sime launches £12m Far East trust

IVORY & SIME, the Edinburgh-based fund management group, is launching a £12m Far Eastern investment trust aimed at private investors.

The group is offering for subscription 12m shares in Pacific Assets Trust at 100p each, underwritten by stockbrokers Bell, Lawrie, Macgregor. It claims to be the first UK investment trust to specialise in the smaller, developing economies of the Pacific region.

Pacific Assets will have between 30 and 40 holdings in companies in Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand, but not in Japan or Australasia. It may also consider investing in China if opportunities arise.

Investors are being offered two marketing incentives. The shares are being sold in partly paid form, with 75p due on application and the 25p balance to be paid on July 15 1985.

New investment trusts to have used this device in the past year include Baillie Gifford Technology and Fledgeling Japan, a Jardine Fleming vehicle.

The shares also come with warrants attached. Holders of five shares will be entitled to subscribe for one new share between 1986 and 1995 at 100p. Pacific Assets will then issue a second series of warrants on the same proportional basis which will permit investors to subscribe for more new shares between 1996 and 2000 at 125p each.

The issue is being offered almost exclusively to private investors through the regional stockbrokers Bell, Lawrie of Edinburgh, Stock Beech of Bristol, Tilney of Liverpool and Wise Speke of Newcastle, Leeds and Middlesbrough.

Pacific Assets aims to provide long-term capital growth, and the shares are expected to yield about 2 per cent annually. Its managers believe growth prospects in the region are far higher than in the West, and that attractive opportunities will arise in China in the long term.

Ivory and Sime has more than £1.9bn under management and advises ten listed investment trusts. Applications for Pacific Assets should be received by Monday.

● comment

Ivory & Sime is filling a gap in the investment trust industry's Far Eastern coverage with its launch of Pacific Assets. The partly-paid shares with two-tiered warrants are by no means unique, though they do underline the extent to which managers are improving their marketing in the face of the large discounts to assets on which many trusts are trading. The warrants neatly serve the double role of providing a short-term sweetener for investors, while acting as a deferred rights issue to raise around £5.4m beyond the inital £12m by the year 2000. By the same token, the warrants could also expose investors to the risk of asset dilution when exercised. The arguments for specialising in the less well known South East Asian economies look attractive enough. As they and their stock markets develop, the opportunities for equity investment should flourish. The only proviso is that fashionable specialist vehicles like this one have a reputation for short term volatility, even if the long-term performance comes good.

Good Relations

The board of Good Relations, the public relations company, confirmed yesterday that it would go ahead with proposals to move its corporate affairs and city communications division out of the Square Mile to the group head office in Russell Square.

Euroferries set to grant fares perk to P & O

By Stefan Wagstyl

EUROPEAN Ferries, which last year tried to limit its own 160,000 shareholders' cheap cross-Channel fare perks, is about to grant concessions to 40,000 shareholders of another company, Peninsular and Oriental Steam Navigation.

The reason for the proposed offer, described in the City last night as unprecedentedly generous, is Euroferries' £12.5m deal to buy P & O's own Channel ferry business.

There were fears that P & O shareholders would lose their concessionary fares—up to 50 per cent discount—because of the sale. Several shareholders wrote to the company's head office, and to Sir Jeffrey Sterling, the chairman.

But Euroferries has moved fast to put together a package which is to be made public in the next few days. While the details have yet to be confirmed, the company intends to offer concessions to P&O shareholders on its own Townsend Thoresen ships.

However, the cheap fares will probably only be available on the two routes Euroferries bought from P & O—Dover to Boulogne and Portsmouth to Le Havre.

Euroferries said last night: "We have not sorted out the details yet, but we want to do something for P & O shareholders, without upsetting our own shareholders. It's a gesture of goodwill."

P & O confirmed that the company had held talks with Euroferries but no offer to the company's shareholders had yet been received.

City analysts said last night that the offer of concessions from one company to the shareholders of another was unprecedented.

Euroferries is familiar with the support a determined group of private shareholders can generate in defence of their rights. Last year, a stormy company meeting rejected a board attempt to make shareholders give up their voting rights if they wanted to retain fare concessions.

At a second meeting shareholders agreed to limit fare concessions to a new class of preference shares.

These shares carry discounts of up to 50 per cent on all five of Euroferries' cross-Channel routes.

Meanwhile, P&O shareholders will continue to enjoy their own company's other perks which include discounts on the group's Scottish lines and on cruise ships.

Carr's Milling

Higher profits in the six months to end February are forecast for Carr's Milling Industries.

Mr Ian Carr, chairman, told the group's annual meeting that they would be significantly up on the corresponding period last year when pre-tax profits were £443,000 on turnover of £25.6m.

He said that after an encouraging start to the financial year sales had been buoyant. All the group's major activities were profitable. Capital spending programmes in the flour milling and bakery divisions had been particularly beneficial.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ailsa Invest Trust int.	0.6	—	0.5	—	1.3
Blue Arrow	0.6‡	March 22	—	0.6	—
Body Shop‡	1.5	Feb 26	—	1.5	—
Control Securities int.	1.58	March 2	1.58	—	3.15
Cray Electronics ... int.	0.74	April 10	0.57	—	2.28
London Scottish Finance	1.9	March 14	1.75	2.8	2.5

Dividends shown pence per share net except where otherwise stated.

• Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Blue Arrow overtakes target and set for substantial growth

RESULTS FROM the Blue Arrow staff recruitment, holiday tour and business travel group for the year ended October 31 1984 have outstripped the forecast of last July when the shares were placed on the USM.

And for the current 1984-85 year the group is confident of another substantial increase in profitability. Among its expansion plans is the diversification into the office and industrial cleaning industry—the chairman and chief executive, Mr Tony Berry, was once a director of Brengreen Holdings, the contract cleaning group.

In the past year the group turnover expanded from £14.6m to £16.81m, with staff recruitment and contract labour accounting for £8.88m, against £4.94m. Profit before tax shot up from £191,000 to £411,000, and comfortably beat the forecast of not less than £365,000. Staff recruitment contributed £683,000, compared with £268,000.

The tour operating division, in line with the industry, experienced a difficult year. It showed a near £2m increase in turnover to £4.23m, but also a significant rise in its loss from £9,000 to £256,000. Business travel lifted turnover by £1.2m to £3.64m and made inroads into its loss, which came to £20,000 (£28,000).

Mr Berry says plans are already in place to consolidate the travel divisions and bring them into profit.

Other activities accounted for £59,000 (£100,000) of turnover and £4,000 (loss £4,000) of profit, while in the previous year retail travel agencies contributed £4.81m and loss £36,000 respectively. This means that the year's turnover from continuing activities showed an advance of 72 per cent.

Expressing his confidence of expanding profitability in the current year, the chairman says this will be particularly marked in the second half when both the personnel and tour operating divisions traditionally produce a higher proportion of profit.

The year has started well with the personnel side achieving record business in November and December. It currently operates from 36 branches and at least another eight are expected to open this year, while significant expansion is also planned through acquisitions.

There is no actual or deferred tax liability on the results for the year because of losses brought forward, accelerated timing differences and utilisation of relief arising on extraordinary items. After a notional £113,000 (£92,000) charge relating to the extraordinary items, the net profit is £298,000 (£99,000) for earnings of 8.23p (2.83p) per share.

There are extraordinary debits of £13,000 (£4,000) comprising net profit on disposal of businesses and assets £217,000 (£178,000), terminal costs of businesses closed £196,000 (£236,000), goodwill written off £47,000 (£38,000) and a compensation payment of £100,000.

This payment was shown in the USM placing details, and is for Mrs Sheila Watson-Challis who founded the original secretarial agency in the late 1950s. Over the last few years she has been reducing her personal involvement in the company and last July agreed to the termination of her service agreement as a director and the compensation. She became president of the company.

Net attributable profit balance is then £285,000 (£95,000) from which a dividend of 0.6p net, against 0.5p forecast, absorbs £24,000.

● comment

Blue Arrow's profits are an eighth above forecast, but it will be 1984-85 which really justifies the shares' rise from the 75p placing price. The staff recruitment operation continues to grow apace—turnover could be up 50 per cent—and the holiday business should at least break-even following last year's reduction in overheads and general reappraisal of ambitions. Tour operating remains but it will never be an important part of BA. Growth on one side and loss elimination on the other should see profits to over £800,000 this year, though that ignores the company's determined acquisition policy. The contract cleaning companies will be acquired by the end of the month unless something goes dramatically adrift. The consideration will be around £3m, largely financed by shares. At present the two are turning over around £10m which could mean a contribution of £300,000 to £400,000 this year. In 1985-86 BA will be looking for net margins of at least 7 per cent, on higher turnover of course. Assuming the deals go through this year's target rises to £1.1m to £1.2m and more importantly eps should more than double. And the acquisitions will not stop there. BA would like to buy a leading staff agency, probably a private company although interest in Brooke Street is an open secret, albeit a bit too big to contemplate. BA still has a lot to prove, but a prospective p/e of under 10 at 145p has to look inexpensive.

Tate & Lyle capital spending up to £32m

CAPITAL EXPENDITURE at Tate & Lyle increased from £27m to £32m in 1984. Mr Neil Shaw, the group managing director, says the group is committed to a programme of spending to obtain internal growth from cost reduction, capacity increase and new product manufacture.

The total which excludes the cost of acquiring new businesses, such as the group's investment in the Sidul refinery in Portugal—was spent on a wide variety of projects in the UK, North America and elsewhere.

These included new docklines and improvements at Unitank terminals; new vinyl siding production lines at Daymond; expansion of Pacific Molasses facilities; the construction of new storage tanks for United Molasses; process improvements and a new high speed sugar packing line at Refined Sugars, as well as further upgrading of malt kilns and storage at Hugh Baird & Sons.

Mr Shaw says that a substantial proportion of the group's capital expenditure continues to be aimed at achieving the efficient and reliable production of high quality products.

The group's accounts reveal that Mr Shaw's remuneration rose sharply from £136,000 to £198,000 in the year; these amounts, however, were denominated in Canadian dollars and converted to sterling at the rates ruling when paid.

Last June, Mr Shaw exercised his option to purchase the company's leasehold interest in a property at Sydney Place, SW, at a price of £200,000. The company's chartered surveyors have advised that the market value of the property was £290,000 at September 28 1984 the completion date.

As at September 29 1984 the group's net cash had risen from £9.9m to £27.6m

BOARD MEETINGS

TODAY

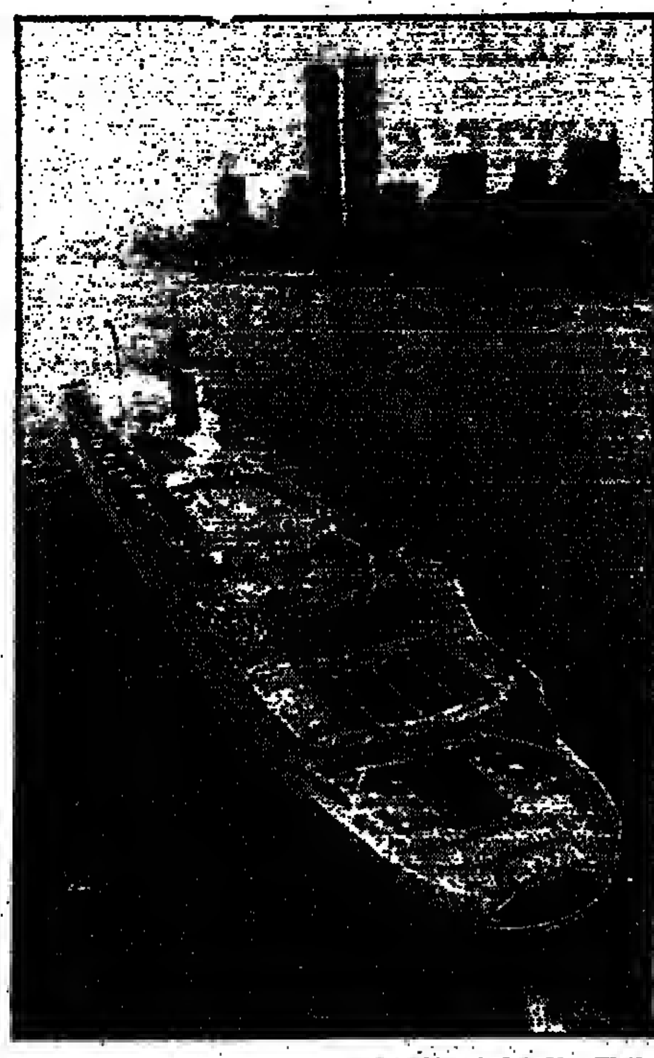
Interims: Sidney C. Banks, Bromsgrove Casting and Machining, Gnome Photographic Products, Group Investors, H. Samuel, Westpool Investment Trust.

Finals: Countryside Properties, First Leisure, Arthur Guinness, Heavitree Brewery, Kenning Motor, London and Clydeside.

FUTURE DATES

Finals—

Commercial Bank of Wales ...	Jan 25
Crescent Japan Invest. Trust...	Jan 22
Goring Kerr	Jan 16
Greenwich Cable Communications	Jan 16
KLP	Jan 24
TACE	Jan 18



Cunard Lines' flagship, the Queen Elizabeth 2, left New York last Sunday at the start of her 1985 world cruise. The 100-day circumnavigation takes in 36 ports of call, and fares for the complete voyage range from £49,055 to £9,975 for the least expensive accommodation.

Shorter options include special Concorde flights to join QE2 at Miami, Sydney, Hong Kong, Singapore, Cape Town and Rio de Janeiro. A facility also exists to combine Far Eastern sectors with the Cunard Sagafjord's Circle Pacific cruise by transshipping at Sydney.

Cunard say that both ships are heavily booked, and that more than 70 per cent of their earnings will be in U.S. dollars.

Trafalgar House, Cunard's parent company, holds its annual meeting in London tomorrow, and the QE2 returns to Southampton on April 23.

Hawley enhances its U.S. range with £13m purchase

Hawley Group, the service industry concern headed by Mr Michael Ashcroft, yesterday announced its second U.S. acquisition within a week. It is spending U.S.$12.5m (£10.9m) on Maintenance Company, which services equipment such as lifts and escalators in the north-eastern states.

The move represents a further expansion of the range of services offered by Hawley subsidiaries in the U.S. with the aim of providing a complete package of services to commercial customers.

The new company, based in Long Island City, New York, is being acquired from a privately-owned company and its management will be retained. It will be part of Hawley's cleaning and maintenance division and will be developed into southern states where Hawley has a strong presence through its Atlanta-based Oxford Services subsidiary.

Oxford's main business is contract commercial cleaning, but it also offers security and word processing services and last week announced a $14m purchase taking it into landscaping and commercial refuse.

For Maintenance Company, Hawley is paying $4.6m in cash and a further $7.9m in cash over a two-year period.

Control Securities tops £0.7m and is optimistic

AN IMPROVEMENT of 21 per cent in turnover to £4.06m enabled property company Control Securities to lift its pre-tax profits from £607,301 to £710,988 over the six months to September 30 1984.

The future is viewed with confidence although the directors say it is too early to expect a contribution from the new investments in the mining and related high technology companies which have been incorporated into the general investment portfolio.

Turnover for the opening half was made up as to gross rental income of £197,375 (£283,055) and property dealing, development and income amounting to £3.86m (£3.07m).

The net interim dividend is held at 1.575p from basic earnings per 10p share of 2.05p (2.43p). Tax took £299,998 (£131,803).

In December the directors announced the terms of a recommended bid for Ascot Holdings, a London-based property group. On the bid becoming unconditional Ascot will serve to strengthen the group's property income. When the combined portfolios have been refurbished and fully let the group hopes to achieve a rental income in excess of £2m per annum.

Control Securities acquired the outstanding 50 per cent of Cefn Estates last September for £1m. However, certain errors have been found in the tax computations of Cefn for earlier years, as a result of which there are apparently under-provisions in the accounts of that company. These are currently being looked into by Control's professional advisers.

LADBROKE INDEX
Based on FT Index
943-947 (−13)
Tel: 01-427 4411

UK COMPANY NEWS

Mining strike hits London Scottish

INCREASED provisions resulting from the miners' strike and its knock-on effects, particularly in the second six months, have affected the results of the London Scottish Finance Corporation for the 53 weeks to October 30 1984.

Pre-tax profits for the period, however, still showed an improvement of £174,000 to £1.69m when compared with the figures for the preceeding 52 weeks although only £16,000 of the rise came in the second half.

A final dividend of 1.9p lifts the net total from 2.5p to 2.8p, an increase of 12 per cent.

The basis of the provisions followed exactly the formula the group has applied across the board for many years, although the experience of previous strikes in the mining industry has been that the miners pay their debts when they have the means to do so.

The group is engaged in the provision of financial and banking services, consumer credit, debt collecting, reinsurance and television rental.

Turnover for the 53 weeks advanced to £13.2m £11.06m for period). The pre-tax results were struck after deducting finance costs of £1.06m (£1m).

After tax of £458,000 (£464,000) undiluted earnings per 10p share emerged 0.9p ahead at 6.7p.

At the midyear stage taxable profits were showing an improvement of £158,000 although the miners' strike had had some effect on 12 out of the group's 83 branches.

● comment

The miners' strike dug deep into the second half profits of London Scottish. At the interim stage, it appeared as if the company had avoided the worst effects of the strike with pre-tax profits up 23 per cent. But in the second half increased bad debt provisions and weak demand to 12 strike-affected offices (out of 80 in total) cut growth to less than 2 per cent. This canny company gives little away—but it seems that the overall strike effect has been to take £300,000 off pre-tax profits for the year. If, and when, the strike ends some of this can be written back as miners' resume making payments. Elsewhere credit demand has been strong and is still buoyant in the current year. Assuming the NUM strike is settled before the summer, the company should make £2m pre-tax this year which puts the shares down 1p to 55p on a p/e of 7½ on a 30 per cent tax charge. An undemanding rating reflecting both the company's conservative management—net debt at 1.4 times shareholders' funds is low for a finance house—and its steady but dull profits record. The 7 per cent yield makes the shares an attractive way of betting on an early strike settlement.

Snowdon Rail in £0.7m rights

Snowdon Mountain Railway, which was acquired by Cadogan Properties last November, is to raise £680,000 to fund the purchase of two new diesel locomotives and improve tracks and passenger handling.

It will issue 850,000 10p shares at 80p each under the Business Expansion Scheme in a move which will reduce Cadogan's holding to 43.5 per cent from 99.5 per cent. The shares will go on sale from January 18.

2.9% acceptance for original LMI offer

London and Midland Industrials (LMI) yesterday announced that its original offer for Hoskins & Horton, had won acceptances from the holder of 2.9 per cent of H&H's shares. This offer, worth £7.47m, was superseded last Wednesday by an increased agreed bid from LMI worth £8.2m.

Acceptances for the original offer took LMI's holding in H&H to 4.6 per cent.

LMI's increased offer, of 300p cash or seven of its own shares for every four H&H, will remain open at least until January 28, the company said.

Tesco chief's share sale

Sir Leslie Porter, chairman of Tesco, has sold 1.35m of his beneficial holding of the company's ordinary shares at 248p per share, and £669,934 convertible unsecured loan stock at 190 15-64ths per share.

The share and loan stock sales by Sir Leslie would have raised a total of more than £4.5m. A group spokesman said the Tesco chairman had raised the cash to "settle tax and capital gains tax liabilities and other commitments."

Sir Leslie, who retires as chairman in July, was shown in the last annual report as having a holding of just over 5.6m ordinary shares under beneficial and family interests and just over £1m of unsecured loan stock.

Ryan Intl. shares halted

SHARES in Ryan International, a Cardiff-based coal factor and distributor of building materials, were suspended yesterday morning at the pre-weekend price of 13p. The trading halt came at the company's request pending an announcement, but no further details were immediately issued.

Ryan, which has had its coal recovery businesses severely affected by the miners' strike, has been involved in discussions since last October with a group of shareholders. The company said at the time that this might result in a subscription for new shares which would serve to increase their stake.

The three-strong group was identified in October as a Messrs Hotson, Mackenzie and Palmer. The Welsh Development Agency, which has also been involved in the talks, is understood to have sold some 2m shares in Ryan to the group and provided them an option on another 3m.

This, added to an original holding for the three of about 1m, would bring their current stake near to 6m shares or some 18.56 per cent.

The WDA obtained its holding in 1977 as part of a rescue of Ryan from receivership.

* * *

The sale by Leigh Interests to J. Sainsbury of 15 acres of its site at Rowditch, Derbyshire, has been completed for a consideration of £2.8m.

* * *

The British Car Auction Group has bought a further 696,676 shares in Attwoods, bringing its holding up to 40 per cent.

Mercantile House in £1.7m Japanese deal

Mercantile House, the financial services conglomerate, is paying £1.7m for a 45 per cent stake in a Japanese foreign exchange and deposit broker which will be merged with the Tokyo currency operations of M. W. Marshall, its own money broking subsidiary.

The Japanese company, Hatori and Co, will be renamed Hatori-Marshall. Completion of the cash deal is expected next month.

Mr M. J. Kelly, Marshall's chairman, said yesterday the acquisition—which is being conducted through M. W. Marshall—would combine the activities of an established Tokyo domestic broker with Marshall's international network and expertise.

It would be "in a strong position to offer a broking service in all aspects of both the existing and the newly developing interbank markets in Japan."

Mr John Barkshire, chairman of the Mercantile House group, said the activities of Hatori and Marshall's existing Tokyo arm overlapped "hardly at all." Domestic Japanese interests would retain the other 55 per cent of the new company, and this stake would remain "fairly widely held," he added.

Stake in London and St. Lawrence reduced

Practical Investment Fund, a unit trust within the Oppenheimer stable, has reduced its shareholding in London and St Lawrence Investment Company from 36 per cent to 10 per cent in order to comply with the limits imposed by the Department of Trade and Industry on single holdings.

The shares have been placed with two institutions friendly to London and St Lawrence, that are not likely to use their shareholding as a bid platform.

One institution, Sun Life Assurance, has acquired 2.6m shares bringing its holding to 2.9 per cent of the equity of London and St Lawrence. These shares are held by the main life fund.

The other institution is expected to reveal its transaction today.

Identity of Gates bidder disclosed

Mr Gerald Carroll, a property developer, is the potential bidder who has entered talks with Frank G. Gates, East London-based Ford main dealer. Gates family interests owning 58 per cent of the company, in an unusual arrangement, have irrevocably pledged to accept any offer of at least 90p per share made by Carroll before February 8. Mr Carroll, who currently has no motor trade interests, plans to develop the Gates business under existing management if he acquires it. Gates shares rose 8p to 92p.

* * *

Silentnight Holdings has sold its wholly owned subsidiary Colne Valley Leasing for £2.75m cash. It strengthens the group's cash position, removes a future tax liability of some £1.2m while releasing funds of £2.75m.

* * *

The Bank of Scotland 1978 pension scheme has purchased a further 1m Japan Assets Trust ordinary, increasing its holding to 5m shares (8.19 per cent).

Whitworth's to join USM with £10m market value

By William Dawkins

WHITWORTH'S FOOD GROUP, a family owned pre-packer and distributor of fresh produce in the UK and Europe, is to join the USM with a market capitalisation of £10.1m.

Stockbrokers Scrimgeour, Kemp-Gee are placing 2,250,000 shares in Whitworth's at 85p each to raise £1.7m after expenses. The family interests of Mr John Allpress, the chairman, are selling 250,000 shares worth £237,500, which will leave them with a 78.5 per cent stake in the group. Taking account of directors' shareholdings, 21.1 per cent of the equity will be available to the public.

Pre-tax profits rose from £533,000 to £807,000 in the year to last September on sales up from £32.8m to £45.4m. Earnings were 5.2p per share after an actual 42 per cent tax charge, putting the placing price on a multiple of 18.3. There is no profits forecast, but a 2p net dividend is planned for the current year, giving a yield at the placing price of 3 per cent.

Mr Allpress started a small vegetable pre-packing business in 1955, and acquired Whitworth's for £18,000 in 1966, at which time it was making heavy losses. He expanded the group into fresh produce wholesaling, potato merchanting and the import of exotic produce.

Potato pre-packing and merchanting, which takes place at three factories in Cambridgeshire and Lincolnshire, accounted for 38 per cent of last year's turnover and half of profits.

Whitworth's customers include multiple retailers like Argyll Foods, Asda Stores, Gateway Foodmarkets, Sainsbury's, Tesco and Waitrose. The three largest customers account for 70 per cent of pre-packing sales.

Taxable profits rose from £208,000 to £343,000 in the year to September 1981, but dipped to £276,000 in the following 12 months because of a shortage of produce caused by serious frosts. Since then, the group has built four cold storage depots with a total capacity of 200,000 cu ft to help it to iron out fluctuations in supply and to service larger customers.

It has also acquired a commodity broking company to offer a price-hedging service to its suppliers. The placing money will be used for further acquisitions, as well as to provide extra working capital.

Dealings are expected to start on January 30.

BASE LENDING RATES

A.B.N. Bank	12 %	Hong Kong & Shanghai	12 %
Allied Irish Bank	8¾%	Johnson Matthey Bkrs.	12 %
Amro Bank	12 %	Knowsley & Co. Ltd.	12½%
Henry Ansbacher	12 %	Lloyds Bank	12 %
Armco Trust Ltd.	10½%	Mallinhall Limited	10 %
Associates Cap. Corp.	9½%	Edward Manson & Co.	13%
Banco de Bilbao	8½%	Meghraj and Sons Ltd.	10½%
Bank Hapoalim	12 %	Midland Bank	12 %
BCCI	12 %	■ Morgan Grenfell	12 %
Bank of Ireland	12 %	Mount Credit Corp Ltd.	10½%
Bank of Cyprus	12 %	National Bk. of Kuwait	10½%
Bank of India	9½%	National Girobank	12 %
Bank of Scotland	12 %	National Westminster	12 %
Banque Belge Ltd.	12 %	Norwich Gen. Tst.	12 %
Barclays Bank	12 %	People's Tst. & Sv. Ltd.	10½%
Beneficial Trust Ltd.	10½%	Provincial Trust Ltd.	11½%
Brit. Bank of Mid. East	12 %	R. Raphael & Sons	12 %
■ Brown Shipley	12 %	P. S. Refson	12 %
CL Bank Nederland	12 %	Roxburghe Guarantee	12½%
Canada Perm'nt Trust	10½%	Royal Bk. of Scotland	10½%
Cayzer Ltd.	12 %	Royal Trust Co. Canada	10½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	12 %
■ Charterhouse Japhet	12 %	Standard Chartered	‖12 %
Choulartons**		Trade Dev. Bank	8½%
Citibank NA	12 %	TCB	12 %
Citibank Savings	¶10½%	Trustee Savings Bank	12 %
Clydesdale Bank	12 %	United Bank of Kuwait	12 %
C. E. Coates & Co. Ltd.	12½%	United Mizrahi Bank	12 %
Comm. Bk. N. East	9½%	Westpac Banking Corp.	12 %
Consolidated Credits	12 %	Whitesway Laidlaw	12½%
Co-operative Bank	*12 %	Williams & Glyn's	12 %
The Cyprus Popular Bk.	10½%	Wintrust Secs. Ltd.	12 %
Dunbar & Co. Ltd.	10½%	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	10½%		
■ Hill Samuel	§12 %		
C. Hoare & Co.	†10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%, 1 month 9.50%. Fixed rate 12 months £2,500 8.75% £10,000 12 months 9.00%.
† 7-day deposits on sums of under £10,000 7%, £10,000 up to £50,000 8%, £50,000 and over 9%.
‡ Call deposits £1,000 and over 8¾%.
‖ 21-day deposits over £1,000 10%.
¶ Mortgage base rate.
§ Demand deposits 7%.
** See Provincial Trust Ltd

UK COMPANY NEWS

Margins at Cray show further increase

MARGINS AT Cray Electronics Holdings have improved "satisfactorily" after having absorbed the cost of increasing the engineering staff and facilities.

The group's order books remain firm and the directors say they look to the future with confidence with continued emphasis on widening the group's technological lead in each of its chosen markets.

On the back of a £2.8m rise in turnover to £13.51m group pre-tax profits for the half year to October 30 1984 improved by 41 per cent to £804,000 (£570,000), with margins up from 5.3 per cent to almost 6 per cent.

The interim dividend is being lifted from 0.566p to 0.736p net per 10p share from earnings 36 per cent ahead at 2.081p (1.528p).

Mr Brian Solomon, the chairman, says the figures reflected continued growth in Cray's three major divisions — communications, marine and sub-sea and services and industrial security —and provided the basis for the 30 per cent increase in the interim dividend, in line with the group's growth record.

Tax for the half year accounted for £322,000 (£228,000) to leave the net balance at £482,000, compared with £342,000.

In a statement last October Mr Solomon told shareholders that the group had maintained its growth path over the year to April 1984.

He added that margins had also been maintained on a considerably increased turnover. Orders were standing at a satisfactory level and reflected the group's success in areas of both added value and its own products, with particular emphasis on communications.

The chairman commented that the Government's policy of widening its purchasing base in defence areas and expansion of telecommunication interests and facilities provided Cray with greater opportunity than ever before.

Bairstow Eves

Of the 11.07m new ordinary shares in Bairstow Eves offered by way of rights, 10.27m (92.74 per cent) have been taken up and the remainder have been sold at a premium.

The net proceeds of the sale will be distributed to holders whose rights were not taken up, except that no payments will be made for amounts of less than £2m, which will be retained for the benefit of the company.

Body Shop way ahead of forecast with £1m profit

WITH A taxable profit of £1.04m for the 12 months to September 30 1984, **Body Shop International** has easily beaten the minimum £390,000 forecast at the time of its admission to the USM last April.

The dividend forecast is also beaten with the payment of a 1.5p net maiden final, compared with a projected 1p payout, and the directors intend to recommend net dividends totalling not less than 2.7p for the current year. This is a 0.5p improvement on the prospectus forecast.

As regards current trading, Mr Gordon Roddick, the chairman of this skin and hair care preparations concern, says that UK sales have continued to show a significant improvement, assisted by better than expected pre-Christmas sales.

Reports from overseas shops are showing similar increases in demand, he adds, and their pre-Christmas turnover was "buoyant."

Group turnover in the 12 months under review totalled £4.91m against £2.14m for a 10 month period. The pre-tax profit compares with a previous result of £203,000, again for 10 months trading.

The chairman also announced expansion on two fronts. In the UK, the group has already put into action proposals to move its warehousing and offices to a larger site, with the intention of completing the move not later than the middle of next year. Mr Roddick considers that this will give greater scope for controlled and more efficient expansion, "without any significant impact on capital resources."

Overseas, there are plans for about 25 new franchised outlets in the current year, and the formation of a new Dutch subsidiary "should be viewed in the context of a long term commitment to overseas growth."

Plans are already well advanced to set up a warehouse and distribution centre in Bassum, Holland, which will enable more rapid and efficient European growth without imposing strain on UK operations.

The improved pre-tax result was struck after administration expenses at £1.13m against £686,000 and distribution costs at £245,000 against £28,000. It included rent and bank interest received totalling £31,000 (£7,100).

After tax at £451,000 against £30,000, there was an extraordinary debit of £104,000 (nil) representing additional deferred taxation.

Earnings per share are quoted at 12p (3.5p) actual and 12p (2.4p) fully taxed.

In the 1983-84 year, the group increased the number of its UK franchised outlets from 33 to 49, and its company-owned outlets from five to six. Overseas franchises have expanded from 52 to 83.

● comment

The dash for growth looks set to continue at Body Shop International in the current year and pre-tax profits could rise to £1.75m which puts the shares unchanged at 450p on a more realistic p/e just under 20. There seems no limit to the number of people who want to take on a franchise and overall quality and standards appear to have been maintained. The main concern must be the rate of overseas expansion and whether Body Shop can keep up a satisfactory wholesaling and distribution operation. The potential problems of supplying outlets from Dubai to Singapore and Hong Kong with hundreds of lines in bottles of different sizes is quite awesome. The company is adhering firmly to its policy of not tying up too much capital in property. It has bought just one outlet this year, bringing the total company-owned to just six. It intends to rent, not buy, the specially designed new warehousing and offices which should be ready for occupation in mid-1986.

FIH up marginally at £4.9m for nine months

THIRD-QUARTER taxable profits of **Ferguson Industrial Holdings** rose marginally from £1.98m to £2.01m producing a nine-month figure slightly ahead at £4.87m, against £4.79m.

Turnover for the nine months to November 30, 1984 improved from £107.2m to £109.53m, and trading profits came out at £5.62m, compared with £5.52m.

A divisional breakdown of the trading result shows (in 000s): printing and packaging £4,131 (3,454); building supplies £1,379 (£1,965); construction £250 loss (£55 profit); manufacturing £356 (£39 loss); and holding company nil (£86).

The directors report that building supplies had their best quarter of the year, but continuing small margins and some problem areas in construction made it necessary to provide for further losses. Profits in manufacturing continued to improve.

They say the outcome for the year depends on a continued buoyant level of retail sales in the High Street stores.

For the year to end-February, 1984, the group made a record £6.51m and paid dividends totalling 6.5p net. An unchanged interim of 2.5p has already been announced in respect of the current 12 months.

The nine-month pre-tax figures included a share of related companies' profits of £48,000 (£266,000), investment income £90,000 (£74,000) and profit on sale of investments £36,000 (£34,000). But interest payable took £300,000 (£415,000) and £617,000 (£688,000) was allocated to employees' profit-sharing.

Tax charge rose from £1.86m to £2.1m leaving a lower net surplus of £2.77m, against £3.13m.

In its annual report last July, the company said that most of its existing businesses continued to prosper in slightly better economic conditions. However, it would be unreasonable to expect much higher returns from the two divisions, without the benefit of increased capital spending to provide customers with new products and additional services.

Northamber 47% higher at £454,000

In its first set of interim results since its flotation on the USM last June, Northamber, a specialist supplier of computer printers and peripherals, has recorded a 47 per cent increase in profits.

Pre-tax profits for the half year to October 31 1984 increased from £309,000 to £454,000, on turnover up 65 per cent to £6.62m, against £4.01m. The directors are pleased with the performance to date and are encouraged by the outlook for the year as a whole.

After tax of £203,000 (£154,000), the net balance was ahead from £155,000 to £251,000. Earnings per 5p share were 3.4p (2.1p). A single dividend of 1p net has been forecast for the current year.

In September, the group opened its new offices and warehouse in Chessington, Surrey, providing 16,000 sq ft of additional space. This coupled with its continuing product expansion and market penetration will further assist in Northamber's long term growth, the directors say.

UK COMPANIES

Strong finish puts NatWest U.S. net income over $40m

FOURTH QUARTER net income from National Westminster Bank USA has expanded by 106 per cent to $11.86m, after providing $17.26m for loan losses, against $11.5m in the same period of 1984.

The bank's net income for the whole of 1984 comes up to $40.06m, a 58 per cent increase over the previous $25.33m, after $44.4m ($31m) for loan losses. Mr William Knowles, president and chief executive, says provision for loan losses has been increased consistently over the past recent quarters in line with a policy to establish a strong position with respect to the allowance for loan losses.

At the end of the year, the allowance for loan losses amounted to $77.5m or 1.36 per cent of loans outstanding, compared with $49.6m, or 1.07 per cent respectively at end 1983.

Mr Knowles reports that the improvement for the quarter and the full year was largely the result of gains in net interest income reflecting increased domestic loan volumes and growth in demand, retail savings and time deposits. Higher other income also contributed to the improvemeot.

However, the gains were partially offset by an increase in operating expenses and the provision for loan losses.

Operating expenses over the year rose 15 per cent to $255.2m mainly reflecting higher occupancy expenses following the costs associated with the bank's move into new headquarters, as well as increased salary and benefit costs.

At the year-end, assets totalled $8.7bn, compared with $7.5bo a year earlier, with loans outstanding at $5.7bn ($4.6bn) aod deposits np $1.3bn to $7bn.

Part of the increase ($625m in loans and $206m in deposits) followed the purchase of a portion of Bankers Trust Company's middle market business which was completed in the fourth quarter.

The bank is a subsidiary of National Westminster Bank of the UK.

Brint £2.92m in the red

A £3.5m provision for a reductiou in the value of investments has left Brint Investments with pre-tax losses of £2.92m for the year to August 31 1984.

The provision was pursuant to the accounting policy of the group to state the value of investments in the accounts at the lower of cost and market or directors' valuation.

It related primarily to investments in Burnett and Hallamshire, Meekatharra Minerals, Hambro Gas and Oil, and other oil and gas interests.

The directors point out that since the year-end there have been some significant increases in the value of certain listed investments and as at December 31 1984 the unaudited net asset value per £1 share was 183p. This compares with 151p at August 31 1984 and with 229p a year earlier.

Provisioo for the 1982-83 year amounted to £804,767 and left pre-tax lossea at £39,871.

Interest and dividends receivable for the past year totalled £337,986 (£327,277), income from oil and gas interests added £144,481 (nil) and profit on the sale of investments amounted to £691,863 (£836,249).

MINING NEWS

Mixed quarter for Rand Mines gold producers

BY KENNETH MARSTON, MINING EDITOR

THE DECEMBER quarterly results from the South African gold producers in the Rand Mines group make a mixed showing. All these mines hedge against any fall in gold prices by selling forward part of their production, but in a rising market this action means forgoing the full benefits of the higher rand prices obtainable from current sales.

Blyvoor, for example, received an average gold price in the quarter of R17,997 per kilogramme (equal to U.S.$343 per oz) after allowing for forward sales. This compared with the average daily price of about R19,400.

Even so, Blyvoor's latest price was still above the R17,150 received in the previous three mooths. It offset the increase in unit working costs occasioned by reduced production in the shorter working period of 87 days compared with 91 days in the previous three months.

Gold working profits were thus maintained and this together with increased uranium revenue resulted in a higher net profit for the latest quarter. Uranium production has now ceased at the mine which has a stockpile sufficient to meet all outstanding requirements.

Harmony did rather better, being able to maintain milling at the previous quarter's level and treating a slightly better gold grade. The gold price received averaged R18,021 against R16,976 and net profits for the quarter rose 34 per cent to R33.8m (£13.8m).

Durban Deep and East Rand Proprietary Mines, the group's struggling veteran producers, had a poor quarter. Durban Deep suffered from a debit in respect of State assistance overclaimed compared with a credit under this heading in the previous three months.

ERPM suffered from a combination of lower production and increased unit costs which raised its working loss in the latest quarter. The State assistance claim left the company with a net profit, albeit about half that of the previous quarter.

	Dec qtr R000	Sept qtr R000	June qtr R000
Blyvooruitzicht	16,569	16,527	13,847
Durban Deep	†1,219	*3,286	*1,023
East Rand Pty	*4,190	*8,250	*1,243
Harmony	33,781	25,279	25,263

*After receipt of State assistance. † State assistance overclaimed.

Guinea to halt illicit gem trade

THE GOVERNMENT of the West African state of Guinea has moved to end illicit diamond mining and trading by banning private operations by individuals. In future, President Lansana Conte said in a New Year message on radio and television, these operations will only be carried out by joint ventures with international companies, "in order to ensure that mining will be for the benefit of the country as a whole."

In line with the new policy, the military government has evacuated 100,000 people from the 350 sq km area which had been given over to private diggings, and handed the ground over to the Aredor consortium, the only group which is active in diamond mining in Guinea.

The area is potentially rich io high-quality alluvial gem diamonds, which Aredor is currently mining on its present lease, and cootains in addition six kimberlite pipes which are known to bear diamonds.

The grant could more than double the consortium's diamond reserves, according to Mr Robert Strauss, chairman of Australia's Bridge Oil, which owns the operating company Aredor Services. Ownership of the consortium is shared equally between Aredor Services and the Guinea Government.

"We believe the kimberlite pipes and the alluvials contain not less than 2.5m carats of diamonds," Mr Strauss said recently (there are 142 carats to the ounce). Proven reserves in the original Aredor lease are put at around 2.1m carats.

The new ground lies on the southern boundary of the present lease, less than a mile from Aredor's gravel washing facilities. These facilities are already being expanded from the present production rate of 400,000 cu m of diamondiferous gravel a year to 750,000 cu m, and the expansion is expected to be completed by April, when the first gravel from the new area arrives.

The second sale of diamonds from the project is due to be held at the beginning of next month, according to Mr Jack Lunzer of the London-based Industrial Diamond Company, which has a small stake in the joint venture.

He said that the first sale, held last October, had accounted for 24,000 carats of diamonds at an average value in excess of $22? per carat, well above the venture's initial projections.

Mr Lunzer added that he was confident production would soon rise to the level of between 200,000 and 300,000 carats a year which are venture needs to survive.

F.T.-ACTUARIES SHARE INDICES
QUARTERLY VALUATION

The table shows December 31, 1984, market capitalisations of the FT-Actuaries groups and subsections in their current form with corresponding values prior to the end-1984 reclassifications detailed in our issue of December 19. Figures as at the end of last September are shown for comparison.

The first bracketed figures denote number of current constituents and the second, where given, the number before the year-end changes.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)			Market capitalisation as at Dec. 31, 1984 (£m.) †	% of all share index †	Market capitalisation as at Dec 31, 1984 (£m.)	% of all share index	Market capitalisation as at Sept. 28, 1984 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	(206)		35,673.0	18.46	35,676.0	18.48	33,189.9	19.91
2	Building Materials	(23)		6,072.1	2.62	6,079.1	2.62	4,406.5	2.64
3	Contracting, Construction	(30)		2,348.2	1.22	2,348.2	1.28	2,072.9	1.24
4	Electricals	(14)		1,278.0	0.66	1,279.0	0.66	1,196.8	0.72
5	Electronics	(36)	(35)	13,890.4	7.19	13,800.2	7.14	13,745.4	8.24
6	Mechanical Engineering	(60)		5,406.2	2.80	5,406.2	2.80	6,021.0	3.01
8	Metals and Metal Forming	(6)	(9)	638.2	0.33	1,095.5	0.57	1,230.4	0.74
8	Motors	(18)	(17)	1,677.1	0.87	1,419.9	0.73	1,262.8	0.76
10	Other Industrial Materials	(17)	(18)	6,161.8	2.67	5,351.9	2.78	4,264.1	2.56
21	CONSUMER GROUP	(180)	(188)	61,965.7	32.07	68,473.0	32.33	53,946.3	32.34
22	Brewers and Distillers	(28)		8,764.6	4.54	8,764.6	4.54	7,516.6	4.51
25	Food Manufacturing	(20)	(21)	7,378.6	3.82	7,645.2	3.96	6,992.5	4.19
26	Food Retailing	(18)		6,281.8	3.25	6,281.8	3.25	5,174.3	3.10
27	Health and Household Products	(8)		9,370.2	4.85	9,370.2	4.85	8,413.9	5.04
28	Leisure	(23)		4,398.5	2.28	4,398.3	2.28	3,738.3	2.24
32	Newspapers, Publishing	(12)		1,177.2	0.61	1,177.2	0.61	1,052.2	0.63
33	Packaging and Paper	(14)		1,932.9	1.00	1,932.3	1.00	1,611.8	0.97
34	Stores	(45)		13,904.8	7.12	13,804.8	7.19	11,785.6	7.07
35	Textiles	(12)		1,927.6	1.00	1,927.6	1.00	1,767.2	1.07
36	Tobaccos	(3)		6,831.2	3.53	6,831.2	3.53	5,645.0	3.38
39	Other Consumer	(—)	(7)	—	—	238.7	0.12	226.6	0.14
41	OTHER GROUPS	(87)	(89)	32,017.4	16.56	31,511.1	16.30	17,604.1	10.55
42	Chemicals	(17)		7,256.7	3.75	7,256.7	3.75	6,399.2	3.88
44	Office Equipment	(4)		799.7	0.41	799.7	0.41	741.1	0.44
45	Shipping and Transport	(13)		1,668.2	0.86	1,662.9	0.86	1,512.4	0.91
46	Miscellaneous	(61)	(53)	9,156.6	4.74	8,650.3	4.48	8,958.4	5.37
48	Telephone Networks	(9)		13,141.5	6.80	13,141.5	6.80	—	—
49	INDUSTRIAL GROUP	(483)		129,657.1	67.09	129,657.1	67.09	104,749.3	62.80
51	Oils	(17)		19,729.0	10.21	19,729.0	10.21	21,441.8	12.85
59	500 SHARE INDEX			149,386.1	77.30	149,386.1	77.30	126,191.8	75.65
61	FINANCIAL GROUP	(118)		29,188.5	15.10	29,188.5	15.10	26,540.8	15.91
62	Banks	(6)		7,171.6	3.71	7,171.6	3.71	6,499.7	3.90
63	Discount Houses	(—)	(6)	—	—	262.9	0.14	249.4	0.15
65	Insurance (Life)	(9)		4,464.2	2.31	4,464.9	2.31	3,990.1	2.40
66	Insurance (Composite)	(7)		4,830.0	2.50	4,830.0	2.50	4,495.0	2.69
67	Insurance Brokers	(6)		1,799.3	0.93	1,799.3	0.93	1,472.6	0.88
68	Merchant Banks	(12)		1,676.7	0.87	1,676.7	0.87	1,568.7	0.94
69	Property	(53)		6,638.1	3.43	6,638.1	3.43	6,088.1	3.65
70	Other Financial	(25)	(19)	2,608.6	1.35	2,346.4	1.21	2,169.2	1.30
71	Investment Trusts	(105)		9,923.8	5.13	9,923.8	5.13	2,342.2	6.60
81	Mining Finance	(4)		2,949.7	1.53	2,949.7	1.53	3,097.4	1.82
91	Overseas Traders	(14)		1,814.1	0.94	1,814.1	0.94	1,699.8	1.02
99	ALL-SHARE INDEX	(741)		193,262.2	100.0	193,262.2	100.0	166,808.4	100.0

† After year-end changes.

Notice to Holders

New Zealand

Adjustable Rate Extendible Notes, Series A

Pursuant to paragraph 5(e) of the Fiscal Agency Agreement dated November 7, 1984 between New Zealand and Citibank, N.A., fiscal agent, notice is hereby given that New Zealand has designated a Subsequent Repayment Date and interest rate for the period ending on such Subsequent Repayment Date, with respect to New Zealand's Adjustable Rate Extendible Notes, Series A (the "Notes").

Subsequent Repayment Date

New Zealand has designated May 7, 1985 as the first Subsequent Repayment Date.

Interest Rate

The interest rate on the Notes from February 6, 1985 to May 7, 1985 will be equal to (a) the weighted average per annum discount rate for direct obligations of the United States with a maturity of 91 days ("91-day Treasury bills"), expressed as a bond equivalent on the basis of a year of 365 or 366 days and applied on a daily basis, at the applicable 91-day Treasury bill auction (the date of such auction being herein referred to as an "Auction Date") as published by the Board of Governors of the Federal Reserve System or (if not so published) as reported by the Department of the Treasury (the "91-day Treasury bill rate") *plus* (b) the Applicable Spread (as defined below) for such Auction Date.

Such Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday in which case the auction is usually held on the preceding Friday. If such Treasury bill rate ceases to be so published or reported prior to May 7, 1985, the then current rate of interest will remain in effect until the earlier of May 7, 1985 or such time as such rate is again published or reported.

The interest rate will be subject to adjustment on the calendar day following each auction of 91-day Treasury bills; *provided, however,* (i) that the interest rate in effect for the period from February 6, 1985 through the date of the first 91-day Treasury bill auction after such date shall be based upon the results of the most recent 91-day Treasury bill auction prior to such date, and (ii) that the interest rate in effect for the ten day period immediately prior to May 7, 1985 shall be based upon the results of the most recent 91-day Treasury bill auction prior to the tenth day preceding such date.

The "Applicable Spread" for an Auction Date will be equal to the greater of (a) 55% of the amount by which three-month LIBOR on such Auction Date (determined as provided below) exceeds the 91-day Treasury bill rate on such Auction Date and (b) 60 basis points.

Three-month LIBOR on an Auction Date will be equal to the arithmetic average (rounded upward, if necessary, to the nearest multiple of 1/16 of 1%) of the quotations provided by the principal London office of each of the Reference Banks (as defined below) to the Fiscal Agent on such Auction Date for United States dollar deposits for the three month period beginning on such Auction Date as offered to leading banks in the London interbank market at approximately 3:00 p.m. (London time) on such Auction Date. If on any Auction Date at least two Reference Banks provide quotations to the Fiscal Agent, three-month LIBOR on such Auction Date shall be the arithmetic average (rounded as stated above) of such quotations; if on any Auction Date less than two Reference Banks provide such quotations, then three-month LIBOR on such Auction Date shall be the same as three-month LIBOR on the immediately preceding Auction Date. "Reference Banks" means Citibank, N.A., The Chase Manhattan Bank (National Association) and Lloyds Bank PLC.

Each holder of a Note will be deemed to have elected to extend the date of repayment of such Note to May 7, 1985 unless the form entitled "Option to Elect Repayment" appearing on the reverse side of the Note or a facsimile or telex thereof, duly completed by the holder of such Note, has been received by the Fiscal Agent, in the case of Notes in registered form, at its address at 120 Wall Street, New York, New York 10004, and in the case of Notes in bearer form, at the main office of the Fiscal Agent in London, NOT LATER THAN JANUARY 25, 1985.

CITIBANK, N.A.,
Fiscal Agent

Dated: January 15, 1985

A copy of this document, whicb comprises listing particulars with regard to Pacific Assets Trust Public Limited Company ('the Compaoy') in accordance with The Stock Exchange (Listing) Regulatioos 1984, has been delivered to the Registrar ol Companies in Edinborgh as required by those Regulatioos. Application has been made to the Council of The Stock Exchange for admissioo to the Official List of the Ordinary Shares of 50p each of the Company nnw being issued, and the warrants attached thereto ('the Series I Warrants') wheo detached.
The Directors of the Company ('the Directnrs'), whose oames appear below, are the persoos responsible for the informatioo contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasooable care to ensure that such is the case) the information cootained io this document is in accordance with the facts and does not nmit anything likely to affect the import of such information. All the Directors accept responsihility accordingly.

PACIFIC ASSETS TRUST

Public Limited Company

Incorporated in Scotland under the Companies Acts 1948 to 1981
with registered number 91052

OFFER FOR SUBSCRIPTION
of
12,000,000 Ordinary Shares of 50p each
(with Series I Warrants attached)
at 100p per share

payable as to 75p per share on application
and as to the balance of 25p on 15 July 1985

Underwritten by
BELL, LAWRIE, MACGREGOR & CO.

The Application List for the Ordinary Shares (with Series I Warrants attached) now offered for subscription will open at 10 am on Monday, 21 January 1985 and may be closed at any time thereafter. The procedure for application and the Application Form are set out at the end of this document.

SHARE CAPITAL

Authorised		To be issued partly paid
£8,750,000	in Ordinary Shares of 50p each	£6,000,000

Successful applicants (or their reoouncees) will receive one Series I Warrant for every five Ordinary Shares registered in their names. Each Series I Warrant is convertible into one Ordinary Share (qualifying for Series II Warrants) at 100p per share on 31 May io any year from 1986 to 1995 inclusive. Holders of Ordinary Shares oo the register on 30 June 1995 will be entitled to one further Warrant (a 'Series II Warrant') lor every five Ordinary Shares theo held. Each Series II Warrant will be coovertible into one Ordinary Share at 125p per share on 31 May in any year from 1996 to 2000 inclusive.
The Directors have been informed by Bell, Lawrie, Macgregor & Co., Stockbrokers to the Company, that applications are expected to be made for a total of 12,000,000 Ordinary Shares (with Series I Warrants attached). Such applications will be accepted in respect of not less than 7,800,000 Ordinary Shares (with Series I Warrants attached).

DIRECTORS, SECRETARY AND ADVISERS

Directors

IAN FAULCONER HEATHCOAT GRANT *(Chairman)*
The Old Farm, Glenmoriston, Inverness, Scotland

JEAN FELICIEN CATTIER *(Switzerland)*
29 Rue du College, 1260 Nyon, Switzerland

KENNETH HING-CHEUNG FUNG *(Hong Kong)*
63 Mt. Kellett Road, The Peak, Hong Kong

DAVID BRETT NICHOL
Rossie, Forgandenny, Perthshire, Scotland

Secretary, Registered Office and Principal Place of Business
KEITH PATRICK HANNAY, Chartered Accountant,
One Charlotte Square, Edinburgh EH2 4DZ

Investment Managers
IVORY & SIME plc, One Charlotte Square, Edinburgh EH2 4DZ

Registrars and Transfer Office
BANK OF SCOTLAND, 26A York Place, Edinburgh EH1 3EY

Auditors and Reporting Accountants
ARTHUR YOUNG, Chartered Accountants,
17 Abercromby Place, Edinburgh EH3 6LT

Bankers
THE ROYAL BANK OF SCOTLAND plc,
24 Lombard Street, London EC3V 9BA
HONGKONG & SHANGHAI BANK, China Building,
29 Queen's Road Central, Hong Kong

Receiving Bankers
BANK OF SCOTLAND, New Issue Department,
26A York Place, Edinburgh EH1 3EY
BANK OF SCOTLAND, New Issue Department,
3rd Floor, Broad Street House,
55 Old Broad Street, London EC2P 2HL

Solicitors to the Company and to the Offer
SHEPHERD & WEDDERBURN W.S.,
16 Charlotte Square, Edinburgh EH2 4YS

Stockbrokers to the Company
BELL, LAWRIE, MACGREGOR & CO.,
Erskine House, 68 Queen Street, Edinburgh EH2 4AE

Stockbrokers to the Offer
BELL, LAWRIE, MACGREGOR & CO.,
Erskine House, 68 Queen Street, Edinburgh EH2 4AE
STOCK BEECH & CO., Bristol & West Building,
Broad Quay, Bristol BS1 4DD
and Lloyds Bank Chambers, 75 Edmund Street, Birmingham B3 3HL
TILNEY, 385 Sefton House, Exchange Buildings, Liverpool L2 3RT
and Central Chambers, 15 Pride Hill, Shrewsbury SY1 1DQ
WISE SPEKE & CO., Commercial Union House, 39 Pilgrim Street,
Newcastle upon Tyne NE1 6RQ
and Airedale House, Albion Street, Leeds LS1 5AL
and 103 Albert Road, Middlesbrough, Cleveland TS1 2PA

INTRODUCTION

The Company is a new investment trust which will specialise in investments in the Asian Pacific region, excluding Japan and Australasia. The principal areas to be considered initially for investment will be Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand. The Company, which is incorporated in Scotland, will be managed by Ivory & Sime plc ('Ivory & Sime'). Ivory & Sime is one of the leading investment management companies in the United Kingdom, and currently manages or advises ten listed investment companies.

The Directors foresee a number of investment opportunities arising from the changing industrial and political environment in the Asian Pacific region and are optimistic about the Company's long term growth prospects.

ECONOMIC BACKGROUND

The table below illustrates the economic performance between 1973 and 1983 of the principal countries in which the Company intends to invest initially, compared with certain major industrialised nations:

Country	*Compound Annual GDP* Growth Rate 1973–1983†*
Hong Kong	7.96%
South Korea	7.44%
Malaysia	7.03%
Singapore	7.83%
Taiwan	7.26%
Thailand	6.65%
Japan	3.71%
United Kingdom	1.10%
United States	2.04%
West Germany	1.62%

*Gross Domestic Product at 1980 prices (Taiwan at 1976 prices)
†Sources: (i) IMF International Financial Statistics, 1984 Yearbook (except Hong Kong and Taiwan)
(ii) Hong Kong and Taiwan: Government statistics:
(a) Hong Kong: Department of Census and Statistics;
(b) Taiwan: Directorate-General of Budgeting, Accounting and Statistics.

In order to maintain economic growth, the Directors believe that industry in the Asian Pacific region will become more capital, rather than labour, intensive. Accordingly the Directors anticipate that the number of investment opportunities in the Asian Pacific region will increase over the next decade in terms of both more companies being quoted on recognised stock exchanges and further countries relaxing their regulations governing the foreign ownership of securities.

The Directors also believe that the future economic performance of the first six countries in the table above will be enhanced to an increasing extent by the expansion of their technology industries, fostered in particular by Japanese and American influences.

INVESTMENT POLICY

The primary objective of the Company is to provide long term capital growth for its shareholders through investment in selected companies in the Asian Pacific region, excluding Japan and Australasia.

While dividend yields are higher in a number of Asian stockmarkets than they are, for instance, in Japan, income will be a secondary factor in making investment decisions and dividends to shareholders are therefore likely to be of lesser significance than capital growth.

Investments will be sought initially in Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand. It is intended that there will be an emphasis at the outset on selected opportunities in Hong Kong. In the case of South Korea and Taiwan, investments may be made through the medium of one or more government approved funds until such time as direct portfolio investment in these countries is permitted. As economies within the region develop, so other countries will be considered for investment. In the longer term, investment in companies engaged in business in the People's Republic of China may also be considered if suitable opportunities arise.

It is intended that the portfolio will comprise some thirty to forty principal holdings concentrated in:

(a) industries which the Directors, using an international perspective, consider to have superior growth prospects; and

(b) younger growing companies.

Although it is proposed to invest the Company's funds fully in equity investments, the Directors reserve the right to invest in bonds, deposits or short term money market instruments in any country.

The Directors intend that the Company will so conduct its affairs as to satisfy the conditions required for it to be approved as an investment trust in accordance with Section 359 of the Income and Corporation Taxes Act 1970 (as amended).

The Articles of Association of the Company do not limit the discretion of the Directors as regards investment policy; however, the Directors intend to ensure that:

(a) not more than 15 per cent of the assets of the Company or, if the Company has any subsidiaries, of the Company and its subsidiaries ('the Group') (before deducting borrowed money) will be lent to, or invested in the securities of, any one company (other than holdings in a company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed) including loans to or shares in any subsidiary of the Company;

(b) not more than 25 per cent of the assets of the Company or, if the Company has subsidiaries, of the Group (before deducting borrowed money) will be invested in the aggregate of *(a)* securities not listed on any recognised stock exchange and *(b)* holdings in which the interest of the Company and any subsidiary of the Company amounts to 20 per cent or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed); and

(c) the investment policy set out in this section will, in accordance with Stock Exchange requirements, be adhered to for at least three years following listing, and the policy of investment in the Asian Pacific region (excluding Japan and Australasia) will not be altered at any time without the consent of shareholders.

The Company proposes to give notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to Section 41 of the Companies Act 1980.

DIRECTORS AND MANAGEMENT

Directors

Ian Faulconer Heathcoat Grant (Chairman), aged 45, is Managing Director of Glenmoriston Estates Limited. He was formerly a director of Jardine Matheson & Co. Ltd., Hong Kong, and was also a director of Jardine Fleming (Far East) Limited. He worked for eleven years in a number of Far Eastern financial centres, including Tokyo and Hong Kong. He is a director of The Royal Bank of Scotland plc, Japan Assets Trust PLC, First Charlotte Assets Trust PLC and other public and private companies. He is also a Member of the Scottish Tourist Board.

Jean Felicien Cattier, aged 52, is a director of Clariden Bank, Zurich, a subsidiary of Financière Credit Suisse First Boston. He is also a director of Credit Suisse (Bahamas) Limited and EBC (Schweiz) A.G., a subsidiary of European Banking Company Limited. He was formerly Chief Executive of Credit Suisse First Boston Group, with which he has been associated for twenty-eight years, and Chairman of its holding company, Financière Credit Suisse First Boston.

Kenneth Hing-Cheung Fung, aged 47, is Joint Managing Director of Fung Ping Fan & Co. Limited and a director of a number of associated companies the activities of which include trading, financial services, food services management, real estate development, insurance and venture capital. He is also a non-executive director of British-American Tobacco (H.K.) Limited, Grandmet Fung International Services (H.K.) Limited, Reader's Digest Association Far East Limited and Guangzhou International Trust & Investment Corporation (incorporated in the People's Republic of China).

David Brett Nichol, aged 39, is a director of Ivory & Sime which he joined in 1972. He qualified as a Chartered Accountant in 1968 and subsequently spent four years in investment banking and stockbroking gaining experience in London, Australia, Hong Kong and Japan. He is also a Director of Ivory & Sime (International) Inc.

The Directors are all non-executive.

Secretary

Keith Patrick Hannay, aged 37, is Secretary of the Company and is an employee of Ivory & Sime which he joined in 1981. He is a Chartered Accountant and is Secretary of The Independent Investment Company PLC, Japan Assets Trust PLC and Viking Resources Trust PLC, which are also managed by Ivory & Sime.

Investment Managers

Ivory & Sime has experience of investing in the Asian Pacific region extending over a period of approximately fifteen years. It is one of the leading investment management companies in the United Kingdom with funds under management exceeding £1,900 million. It manages or advises ten listed investment companies, each with a particular investment strategy as detailed below:

Atlantic Assets Trust PLC	Capital growth
British Assets Trust PLC	Income growth
Edinburgh American Assets Trust PLC	Capital growth—emphasis on small-/medium sized American companies
European Assets Trust NV	Capital growth—Continental Europe
First Charlotte Assets Trust PLC	Capital growth—emphasis on the Unlisted Securities Market in the United Kingdom
Japan Assets Trust PLC	Capital growth—through investment in Japan
North Sea Assets PLC	Capital growth—energy companies
Personal Assets Trust PLC	Capital growth—specifically for individuals
The Independent Investment Company PLC	Capital growth—technology companies
Viking Resources Trust PLC	Capital growth—natural resources, principally oil and gas companies

DIVIDEND POLICY

As a result of the Company's investment policy of capital growth and the relatively low yield on securities in the markets in which the Company proposes to invest, it is likely that net revenue, and consequently dividends, will be small.

The income of the Company will be derived wholly or mainly from shares and other securities. It is the Directors' intention to retain no more than 15 per cent of the income derived from shares and securities.

The dividend will be in the form of a single payment made in or about May in each year commencing in 1986.

The distribution as dividend of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association.

DETAILS OF THE OFFER

Shares

It is proposed that the Company should raise the sum of £12,000,000 (before expenses, commissions and brokerage) by the issue of 12,000,000 Ordinary Shares of 50p each (with Series I Warrants attached) at 100p per share, payable as to 75p on application and as to the balance of 25p on 15 July 1985. The amount of 75p per share payable on application represents 25p in respect of nominal value and the whole of the premium of 50p.

The Ordinary Shares now offered will rank for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital.

Series I Warrants

The persons in whose names the Ordinary Shares now being offered are first registered will receive warrants ('Series I Warrants') conferring, in respect of every five Ordinary Shares so registered, the right to subscribe for one Ordinary Share on 31 May in any one of the years 1986 to 1995 inclusive at 100p per Ordinary Share (subject to the usual adjustments). Particulars of the Series I Warrants, which will be in registered form, are set out in Appendix I.

Dealings on Letters of Allotment until Friday, 1 March 1985 (the last date for registration of renunciation) will be in multiples of five Ordinary Shares (carrying the right to one Series I Warrant). After first registration (but not before) the Series I Warrants will be transferrable separately from the Ordinary Shares, and consequently after that time Ordinary Shares may be transferred in any numbers.

Application will be made for the listing of Ordinary Shares issued on the exercise of Series I Warrants, and such Ordinary Shares will rank *pari passu* with the Ordinary Shares now being offered; they will therefore qualify for Series II Warrants.

Series II Warrants

Holders of Ordinary Shares on the register on 30 June 1995 will receive warrants ('Series II Warrants') conferring, in respect of every complete five Ordinary Shares then held, the right to subscribe for one Ordinary Share on 31 May in any one of the years 1996 to 2000 inclusive at 125p per Ordinary Share (subject to the usual adjustments). Fractional entitlements will be ignored. A decision will be taken in 1995 as to whether application will be made for the Series II Warrants to be listed, and will depend on, *inter alia*, the extent and cost of the then prevailing formal requirements for listing.

Application will be made for the listing of Ordinary Shares issued on the exercise of Series II Warrants, and such Ordinary Shares will rank *pari passu* with the then existing Ordinary Shares, which at that stage will not have attached to them, or qualify for, any warrants.

Particulars of the Series II Warrants, which will be in registered form, are referred to in Appendix II.

TAXATION

The Company

The Directors intend to ensure that the Company satisfies the conditions for approval as an investment trust laid down in Section 359 of the Income and Corporation Taxes Act 1970 (as amended) and will apply to the Inland Revenue for such approval. The Company, as a result of the provisions of the Finance Act 1980, will be exempt from corporation tax on chargeable gains realised during any accounting period for which such approval is granted.

The income of the Company will be subject to United Kingdom corporation tax in the normal way. Income arising from overseas investments will, in addition, be subject to foreign withholding taxes at varying rates, but it is expected that double taxation relief will be available.

The Directors consider that the Company will not be a close company immediately following the issue now being made.

Shareholders and Warrantholders

Shareholders resident or ordinarily resident in the United Kingdom for taxation purposes may be liable to tax on any gain arising on a disposal of Ordinary Shares or Warrants in the Company.

The Directors have been advised that, on the basis of current legislation, for the purposes of taxation of capital gains:

(i) the cost of acquiring Ordinary Shares (with Series I Warrants attached) will be apportioned between the Ordinary Shares and the Series I Warrants; details of this apportionment will appear in the first interim statement of the Company for the period ending 31 July 1985;

(ii) the Series I and Series II Warrants will not constitute 'wasting assets' for the purposes of the Capital Gains Tax Act 1979 and, on a disposal of any Warrants (which includes abandonment), the full cost of those Warrants will be allowable in computing any gain or loss;

(iii) a holder who exercises the subscription rights conferred either by the Series I or by the Series II Warrants will not thereby be treated as disposing of the Warrants, but the cost thereof will be added to the amount paid on exercise of the rights in computing the cost of the new Ordinary Shares acquired upon such exercise; and

(iv) on the Series II Warrants being issued, the cost of acquiring the Ordinary Shares on which issue is based will be apportioned between such Ordinary Shares and the Series II Warrants; details of the value attributed to a Series II Warrant will be issued by the Company at the earliest convenient date.

Potential investors should consult their professional advisers on their taxation position regarding the acquisition, holding and disposal of Ordinary Shares and Warrants in the Company.

RISK FACTORS

Many of the companies in which the Company invests will, by reason of the location in which they operate, be exposed to the risk of political change. In addition, exchange control or other regulations introduced in any country in which the Company invests may affect the Company's income and the marketability of its investments. Potential investors should, therefore, be aware of the risk associated with the Company's investment policy although the number and spread of investments should reduce the degree of that risk.

ACCOUNTS AND ACCOUNTANTS' REPORT

Annual accounts will be made up to 31 January in each year. The Company's first accounting period will end on 31 January 1986.

The following is the text of a report received by the Directors of the Company from Arthur Young, Chartered Accountants, the Auditors of the Company:

17 Abercromby Place,
Edinburgh EH3 6LT
11 January 1985

The Directors,
Pacific Assets Trust Public Limited Company,
One Charlotte Square,
Edinburgh EH2 4DZ

Gentlemen,

We report that Pacific Assets Trust Public Limited Company was incorporated on 21 December 1984. The Company has not yet commenced business, nor has it made up any accounts or declared any dividends.

Yours faithfully,

Arthur Young
Chartered Accountants

APPENDIX I

PARTICULARS OF THE SERIES I WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES OF THE COMPANY

1. Subscription Rights

(a) A registered holder for the time being of a Series I Warrant shall have rights ('subscription rights') to subscribe in cash on the 'subscription date', being 31 May (or, if the Company shall change its financial year-end, the date four months after the new financial year-end) (or, if such day is not a business day, on the next following business day) in any one of the years 1986 to 1995 (or, if later, the date in any such year 30 days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are dispatched to shareholders), for all or any of the number of Ordinary Shares of the Company specified in the Series I Warrant at a price of 100p per Ordinary Share ('the subscription price'), payable in full on subscription. The number and/or nominal value of Ordinary Shares to be subscribed and the subscription price will be subject to adjustment as provided in paragraph 2*(a)* below.

(b) In order to exercise the subscription rights in whole or in part, the registered holder of a Series I Warrant must lodge it at the office of the Registrars of the Company on, or within 28 days prior to, the relevant subscription date, having completed the Notice of Subscription thereon, accompanied by a remittance for the subscription price of the Ordinary Shares in respect of which the subscription rights are exercised. Once lodged, a Notice of Subscription shall be irrevocable save with the consent of the Directors of the Company. Compliance must also be made with any statutory requirements for the time being applicable. The subscription rights will not be exercisable in respect of a fraction of an Ordinary Share.

(c) Not earlier than six weeks nor later than four weeks before each subscription date the Company shall give notice to the holders of the outstanding Series I Warrants reminding them of their subscription rights.

(d) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date, and certificates in respect of such Ordinary Shares will be issued not later than 28 days after such relevant subscription date to the persons in whose names the Series I Warrants are registered at the date of such exercise, or to such other persons as may be named in the Form of Nomination which is available on application from the Registrars of the Company. In the event of a partial exercise of the subscription rights comprised in a Series I Warrant, the Company shall at the same time issue free of charge a fresh Series I Warrant in the name of the registered holder for any balance of his subscription rights remaining exercisable.

(e) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year current at the relevant subscription date, but subject thereto will rank in full for all dividends or other distributions declared, made or paid in respect of the then current financial year and otherwise *pari passu* in all respects with the Ordinary Shares in issue at that date: provided that on any allotment falling to be made pursuant to paragraph 3*(f)* or 3*(g)* below the Ordinary Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid on a date (or by reference to a record date) prior to the allotment in respect of the then current financial year.

(f) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant subscription date.

(g) Within 7 days following the final subscription date the Company shall appoint a trustee who shall, within 14 days following that date, provided that the net proceeds of any sale exceed the subscription cost, exercise such subscription rights as have not been exercised and sell the Ordinary Shares acquired on such subscription and, within two calendar months of the final subscription date, distribute the net proceeds less such subscription cost *pro rata* to the persons entitled thereto, provided that entitlements of under £2 shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

(a) If on a date (or by reference to a record date) on or before the final subscription date the Company shall allot any fully paid Ordinary Shares by way of capitalisation of profits or reserves or effect any sub-division or consolidation of its ordinary share capital, the number and/or nominal value of the Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights will as from such date (or record date) be increased or, as the case may be, reduced in due proportion and the subscription price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors for the time being of the Company shall certify the appropriate adjustments and, within 28 days thereof, notice will be sent to each holder of a Series I Warrant together with a Series I Warrant in respect of any additional shares for which that holder is entitled to subscribe in consequence of such adjustments, fractional entitlements being ignored.

(b) If on a date (or by reference to a record date) on or before the final subscription date the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which paragraph 3*(f)* below applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3*(g)* below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Series I Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the date (or record date) of such offer or invitation on the terms (subject to any adjustment pursuant to sub-paragraph 2*(a)* above) on which the same could have been exercised on the last preceding subscription date.

3. Other Provisions

So long as any subscription rights remain exercisable:

(a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares, (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or (iii) on or by reference to a record date falling within the period of six weeks ending on any subscription date make any such offer or invitation as is referred to in paragraph 2*(b)* above;

(b) the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class, or create any new class of equity share capital, except for shares which carry as compared with the existing Ordinary Shares no greater rights as regards voting, dividend or capital;

(c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount;

(d) except with the sanction of an extraordinary resolution of the holders of the Series I Warrants, the Company shall not effect any reduction of share capital involving repayment of capital or any reduction of uncalled liability in respect of its share capital or (except as authorised by section 56(2) of the Companies Act 1948 and Sections 15(6) and 53(3) of the Companies Act 1981 (as originally enacted and whether or not such Sections shall be in operation at the relevant date)) effect any reduction of any share premium account or capital redemption reserve involving repayment;

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(e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;

(f) if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the registered holders of Series I Warrants, and each such holder shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on the last preceding subscription date (subject to any adjustment pursuant to paragraph 2(a) above) so as to take effect as if he had exercised his rights immediately prior to the date (or record date) of such offer or invitation;

(g) if at any time an offer is made to all Ordinary shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a general meeting of the company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice of such vesting to the holders of the Series I Warrants within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustment pursuant to paragraph 2(a) above) on which the same could have been exercised on the last preceding subscription date;

(h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Series I Warrants), each holder of a Series I Warrant will (if in such winding up there shall be a surplus available for distribution in respect of each Ordinary Share which, assuming the full exercise of all outstanding subscription rights, exceeds the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustment pursuant to paragraph 2(a) above) on which the same could have been exercised on the last preceding subscription date, and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price; subject to the foregoing all subscription rights shall lapse on liquidation of the Company;

(i) save for the issue of Ordinary Shares qualifying for Series II Warrants, the Company shall not grant (or agree to grant) any option in respect of or create any rights of subscription for any Ordinary Shares the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (other than the subscription rights conferred by the Series I Warrants and the Series II Warrants) shall be subsisting at the date of such grant or creation, would exceed in the aggregate, 10 per cent of the nominal amount of the Ordinary Shares then in issue, nor (except with the sanction of an extraordinary resolution of the holders of the Series I Warrants) will the Company grant (or agree to grant) any option in respect of or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the subscription price for the time being; and

(j) the Company shall not change its financial year-end from 31 January without giving to the holders of the Series I Warrants at least two calendar months' written notice thereof and of the new date to be substituted for 31 May in paragraph 1(a) above.

4. Modification of Rights

All or any of the rights for the time being attached to the Series I Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the outstanding Series I Warrants. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Series I Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third in nominal amount of the Ordinary Shares in respect of which subscription rights remain exercisable, (b) every holder of a Series I Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe, (c) any holder of a Series I Warrant present in person or by proxy may demand or join in demanding a poll, and (d) if at any adjourned meeting a quorum as above defined is not present, those holders of Series I Warrants who are then present in person or by proxy shall be a quorum.

5. Purchase

The Company and its subsidiaries shall have the right to purchase Series I Warrants in the market or by tender available to all holders of the Series I Warrants alike at any price or by private treaty at a price not more than 10 per cent in excess of the middle market quotation for the Series I Warrants on the previous dealing day. All Series I Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

6. Transfer

Each Series I Warrant will be registered and will be transferable in whole or in part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors, except that no transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

7. General

(a) The Company will, concurrently with the issue of the same to its Ordinary Shareholders, send to each registered holder of a Series I Warrant (or in the case of joint holders to the first-named) a copy of each published Annual Report and Accounts of the Company, together with all documents required by law to be annexed thereto, and copies of every statement, notice or circular issued to Ordinary Shareholders.

(b) For the purpose of these Particulars, 'business day' means a day on which banks in Scotland are open for business, 'Series II Warrant' means the right to subscribe for Ordinary Shares of the Company at 125p per share on 31 May in any one of the years 1996 to 2000 inclusive, on the terms and subject to the provisions for adjustments set out in Appendix II to the Offer for Subscription document issued by the Company on 15 January 1985 and 'extraordinary resolution' means a resolution proposed at a meeting of the holders of the Series I Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

(c) If any of the events referred to in paragraphs 2(b), 3(f), 3(g) and 3(h) above shall occur prior to the first subscription date, the paragraph concerned shall be read and construed in relation to that event as if the words 'first subscription date' were substituted for the words 'last preceding subscription date'.

APPENDIX II

PARTICULARS OF THE SERIES II WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES OF THE COMPANY

The Particulars of the Series II Warrants shall be identical to those pertaining to the Series I Warrants except in the following respects:

1. Throughout the Particulars the expression 'Series II Warrants' shall be substituted for 'Series I Warrants'.
2. Paragraph 1(a) of the Particulars shall be further amended to provide that the 'subscription date' shall be 31 May in any one of the years 1996 to 2000 and that 'the subscription price' shall be 125p per Ordinary Share.
3. Paragraph 3(i) of the Particulars shall be amended to provide as follows:

   '(i) the Company shall not grant (or agree to grant) any option in respect of or create any rights of subscription for any Ordinary Shares the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (other than the subscription rights conferred by the Series II Warrants) shall be subsisting at the date of such grant or creation, would exceed in the aggregate, 10 per cent of the nominal amount of the Ordinary Shares then in issue, nor (except with the sanction of an extraordinary resolution of the holders of the Series II Warrants) will the Company grant (or agree to grant) any option in respect of or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the subscription price for the time being; and'

4. In Paragraph 7 of the Particulars the definition of 'Series II Warrant' shall be deleted.

APPENDIX III

GENERAL INFORMATION

1. History and Share Capital

(a) The Company was incorporated in Scotland under the Companies Act 1948 to 1981 on 21 December 1984 (registered number 91052) as a public company limited by shares with an authorised share capital of £15,000,000 divided into 30,000,000 Ordinary Shares of 50p each, of which two have been agreed to be taken by the subscribers of the Memorandum of Association and are included in the issue. On 4 January 1985 the authorised share capital was decreased from £15,000,000 to £8,750,000 by the cancellation of 12,500,000 unissued Ordinary Shares of 50p each. The authorised share capital is now £8,750,000 divided into 17,500,000 Ordinary Shares of 50p each.

(b) The Company has not carried on business or incurred borrowings pending the issue by the Registrar of Companies of a certificate under Section 4 of the Companies Act 1980.

(c) The issue of the securities now being offered was authorised by the Company in General Meeting on 4 January 1985. On or about 22 January 1985 the Directors or a Committee thereof will by resolution allot Ordinary Shares (with Series I Warrants attached).

(d) Subject to any special rights or restrictions attaching to any shares or any class of shares issued by the Company in the future, the holders of fully paid Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the number of Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of the liquidation of the Company.

(e) Save as disclosed herein:

   (i) No share or loan capital of the Company has been issued for cash or for a consideration other than cash and no such capital of the Company is now proposed to be issued.

   (ii) No commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital.

   (iii) No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option save for the Series I and Series II Warrants.

(f) Save for this issue no material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made within one year and no issue will be made which would effectively alter the control of the Company without in either case prior approval of the shareholders of the Company in General Meeting.

2. Indebtedness

The Company has no loan capital (including term loans) outstanding, or created but unissued, and no outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

3. Underwriting, Expenses of Issue and Application of Net Proceeds

By an Agreement dated 11 January 1985, subject to the Ordinary Shares (with Series I Warrants attached) now being offered being admitted to the Official List not later than 1 February 1985, Bell, Lawrie, Macgregor & Co. have agreed with the Company to underwrite the issue of such shares on the terms and conditions therein contained for a commission of 2 per cent (exclusive of Value Added Tax) of the aggregate issue price of such shares out of which they will pay commission of 1¼ per cent on the issue price to sub-underwriters, fees to the other Stockbrokers to the Offer and their own legal and out of pocket expenses.

The Company will pay its preliminary expenses of £500 and also the expenses of and incidental to the issue, including all accountancy and its own legal expenses, capital duty of £120,000, The Stock Exchange listing fee, the above-mentioned underwriting commission, the costs of printing, advertising and distributing these listing particulars and the fees and expenses of the Receiving Bankers and the Registrars and brokerage of ½ per cent where applicable (see 'Procedure for Application' below). The aggregate costs and expenses payable by the Company (excluding value added tax where applicable) are estimated to be £500,000. After meeting these expenses, the net proceeds of the issue, which will be available to the Company for investment, are estimated to amount to approximately £11,500,000.

4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an Investment Trust Company or Investment Company in all its branches. The objects of the Company are set out in full in Clause IV of the Memorandum of Association which is available for inspection at the addresses specified in Section 9 below.

The Articles of Association of the Company contain *inter alia* provisions to the following effect:

Directors

(a) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(b) The Directors of the Company shall be paid such remuneration for their services as may be determined by the Board save that unless otherwise approved by the Company in general meeting the aggregate amount of such remuneration shall not exceed £50,000. Such remuneration shall be deemed to accrue from day to day. The Directors are also entitled to be paid all travelling, hotel and incidental expenses properly incurred by them in connection with the business of the Company. Any Director appointed to executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs special services may be paid such extra remuneration as the Directors may determine.

(c) At the first Annual General Meeting of the Company all the Directors shall retire from office and at each Annual General Meeting thereafter so long as the Board consists of no more than five, one of their number shall retire from office, and if the Board exceeds five then one-third of all the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to one-third but not exceeding one-third shall retire from office.

(d) The Board may pay and agree to pay pensions or other retirement, superannuation, death or disability benefits or allowances to, or to any person in respect of, any Director or former Director who may have held any executive office or employment under the Company or any subsidiary of the Company or its holding company (if any) and for the purpose of providing any such pensions or other benefits or allowances may contribute to any scheme or fund and may make payments towards insurances or trusts in respect of such persons.

(e) The provisions of Section 185 of the Companies Act 1948 concerning the retirement of Directors attaining the age of 70 shall apply to the Company.

(f) A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. These restrictions are subject to limited exceptions set out in the Articles of Association and the Company may by Ordinary Resolutions suspend or relax the restrictions to any extent or ratify any transactions not duly authorised by reason of a contravention of such provisions.

Borrowing Limits

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to subsidiary companies (if any) so as to secure (as regards subsidiary companies so far as by such exercise they can secure) that the aggregate amount of all moneys borrowed by the Company and its subsidiary companies (if any) ('the Group') (exclusive of intra-Group borrowings) shall not (without the sanction of an Ordinary Resolution of the Company) exceed at the time of borrowing an amount equal to the aggregate of two times (i) the amount paid up on the capital of the Company and (ii) the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (calculated in accordance with the Articles of Association) or, until such time as the first accounts of the Company shall be made up and audited, $10,000,000.

Votes of Members

On a show of hands, every member who is present in person and entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for each share held by him.

Dividends

Appreciations of capital assets or realised profits resulting from sales of capital assets or any other moneys in the nature of accretion to capital shall not be treated as profits available for dividend.

Alteration of Capital

The Company may, from time to time, by Ordinary Resolution:

(a) increase the capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

(b) consolidate and divide the shares, or any of them, into shares of larger amount;

(c) sub-divide the shares, or any of them into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as regards dividend, capital, voting or otherwise as compared with the others,

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of the authorised capital by the amount of the shares so cancelled.

The Company may, from time to time, by Special Resolution reduce the capital, any share premium account and any capital redemption reserve fund in any manner authorised by law.

Variation of Rights

The special rights attached to any class of shares for the time being in issue may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate General Meeting of the holders of the shares of the class.

Transfer of Shares

The Ordinary Shares will be in registered form. Every transfer of shares must be in writing in any usual or common form (or in any other form in writing approved by the Directors) and must be left at the place where the Register of Members is situate for the time being. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, in the case of a transfer of a partly paid share, by the transferee. The Articles contain no restrictions on the free transferability of Ordinary Shares (whether or not fully paid) but transfers of partly paid shares also require the signature of the transferee.

Unclaimed Dividends

Any dividend unclaimed after a period of twelve years from its date of declaration shall be forfeited and shall revert to the Company.

5. Directors' and Other Interests

The Directors, including their immediate families, will make firm applications for the number of Ordinary Shares set out against their respective names:

Name of Director	Ordinary Shares of 50p each (with Series I Warrants attached) Beneficial	Non-Beneficial
I. F. H. Grant	10,000	—
J. F. Cattier	5,000	—
K. H. C. Fung	1,000	—
D. B. Nichol	10,000	—

Immediately following this issue it is expected that the undermentioned persons will hold five per cent or more of the issued share capital of the Company arising from acceptance of firm applications:

Name	Minimum number of Ordinary Shares of 50p each (with Series I Warrants attached)
Edinburgh American Assets Trust PLC	975,000
A G. de 1824 Compagnie Belge d'Assurance Générale Vie	975,000

Mr D. B. Nichol is a shareholder and director of Ivory & Sime and as such is interested in the Management Agreement between Ivory & Sime and the Company referred to under Section 7 below. Mr Nichol has agreed to waive his entitlement to fees as a Director of the Company.

There are no service contracts in existence between the Company and any of its Directors nor are any such contracts proposed.

Save as disclosed herein, no Director has any interest, direct or indirect, in the promotion of or any assets which have been or are proposed to be acquired, disposed of by or leased to the Company.

Save as disclosed herein, no Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company.

It is estimated that the aggregate emoluments of the Directors for the period ending 31 January 1986 will not exceed £16,000.

6. Taxation of Dividends and Distributions

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company. The Company is required to make an advance payment of corporation tax (ACT) when a dividend is paid, being a payment calculated by reference to the basic rate of income tax. The current ACT rate is 3/7ths of the dividend paid. Consequently, the ACT relating to any dividend currently equals 30% of the total of the cash dividend together with the ACT.

A U.K. resident individual shareholder has, imputed to the cash dividend received, a tax credit which is equal to the amount of ACT paid by the company in respect of the dividend. An individual shareholder so resident will be liable to U.K. income tax on the total of the cash dividend received and the related tax credit. The tax credit is then set against the individual's overall income tax liability and may be repaid if his total tax credits exceeds the overall tax liability.

A U.K. resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received.

Shareholders in the Company who are not resident in the United Kingdom may be entitled to a payment from the Inland Revenue on a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the United Kingdom and their country of residence. Non-United Kingdom resident shareholders may also be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the United Kingdom should consult his own tax adviser on the question of the double taxation provisions applying between his country of residence and the United Kingdom.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are or may be material:

(a) Dated 11 January 1985 between the Company, Bell, Lawrie, Macgregor & Co. and Ivory & Sime being the aforementioned Underwriting Agreement.

(b) Dated 11 January 1985, Management Agreement between the Company and Ivory & Sime whereby Ivory & Sime have agreed to act as Investment Managers to the Company (subject to termination by not less than three years' notice by either party) for a quarterly fee payable in advance equal to 0.25 per cent of the value of ordinary shareholders' funds (as defined therein) of the Company.

8. General

(a) The Company has no subsidiaries.

(b) Ivory & Sime is the promoter of the Company. Save as disclosed herein no amount or benefit has been paid or given to the promoter and none is intended to be paid or given.

(c) The Company is not engaged in any litigation or arbitration and no litigation or claim is known to the Directors to be pending or threatened against the Company.

(d) Arthur Young have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report set out above in the form and context in which it is included.

9. Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Bank of Scotland, Broad Street House, 55 Old Broad Street, London EC2P 2HL and Shepherd & Wedderburn WS, 16 Charlotte Square, Edinburgh EH2 4YS, during normal business hours on any weekday (excluding Saturdays and public holidays) until 29 January 1985:

(a) the Memorandum and Articles of Association of the Company;

(b) the report of Arthur Young, and their written consent referred to above; and

(c) the contracts specified under 'Material Contracts' above.

Dated 15 January 1985.

Procedure for Application

All applications for the Ordinary Shares (with Series I Warrants attached) now being issued must be for a minimum of 100 shares or a multiple of 100 shares. Each application must be made on the application form provided and be accompanied by a cheque or banker's draft for the full amount payable on application (75p per share) and be forwarded to either Bank of Scotland, New Issue Department, 26A York Place, Edinburgh EH1 3EY or Bank of Scotland, New Issue Department, 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL so as to arrive not later than 10 a.m. on Monday 21 January 1985. Cheques and banker's drafts must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses, must bear the appropriate sorting code number in the top right-hand corner, and must be made payable to 'Bank of Scotland' and be crossed 'Not Negotiable'.

A commission of ½ per cent will be allowed to Recognised Bankers and Stockbrokers on allotments made in respect of applications bearing their stamp and value added tax registration number (if applicable). This commission will not, however, be paid in respect of allotments which arise out of an underwriting commitment or allotments made to persons who have indicated (or in respect of whom the other Stockbrokers to the Offer have indicated) to Bell, Lawrie, Macgregor & Co. their intention to apply for shares, to the extent that they so apply.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary Shares (with Series I Warrants attached) now being issued to the Official List not later than 1 February 1985. Moneys paid in respect of applications will be returned if such admission is not granted by that date and in the meantime will be retained by Bank of Scotland in a separate account.

All cheques are liable to be presented for payment on receipt and the Company reserves the right to retain allotment letters and any surplus application moneys pending clearance of applicants' cheques. The right is reserved to reject any application or to accept any application in part only and in particular to reject multiple or suspected multiple applications. The right is also reserved to treat as valid any applications which do not fully comply with the conditions set out in the application form. If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer Ordinary Shares than the number applied for, the balance of the amount paid on application will be returned, in each case, by cheque through the post at the applicant's risk.

It is expected that partly paid renounceable Letters of Allotment in respect of Ordinary Shares (with Series I Warrants attached) will be sent by post on 28 January 1985 to successful applicants at their risk and that dealings will commence on the following day. The last date for registration of renunciation is 1 March 1985; the Series I Warrants will thereafter be registered and will then (but not before) be transferable separately. Pending the issue of share certificates and Warrants, instruments of transfer of Ordinary Shares and of subscription rights will be certified against the relevant register. Share certificates and Series I Warrants will be despatched on 25 March 1985.

Failure to make payment of the final instalment by 3 p.m. on 15 July 1985 will render the previous payment and the shares liable to forfeiture. If late payment of the final instalment is accepted, interest may be charged on a day-to-day basis on the overdue amount at a rate equal to Bank of Scotland Base Rate plus three per cent per annum.

Copies of this document with application forms may be obtained from:

IVORY & SIME plc
One Charlotte Square, Edinburgh EH2 4DZ

BELL, LAWRIE, MACGREGOR & CO.
Erskine House, 68 Queen Street, Edinburgh EH2 4AE

BANK OF SCOTLAND
26A York Place, Edinburgh EH1 3EY
Broad Street House, 55 Old Broad Street, London EC2P 2HL
110 St Vincent Street, Glasgow G2 5EJ

STOCKBEECH & CO.
Bristol & West Building, Broad Quay, Bristol BS1 4DD
Lloyds Bank Chambers, 75 Edmund Street, Birmingham B3 3HL

TILNEY
385 Sefton House, Exchange Buildings, Liverpool L2 3RT
Central Chambers, 15 Pride Hill, Shrewsbury SY1 1DQ

WISE SPEKE & CO.
Commercial Union House, 39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Airedale House, Albion Street, Leeds LS1 5AL
103 Albert Road, Middlesbrough, Cleveland TS1 2PA

and, until 17 January 1985, at the Company Announcements Office, The Stock Exchange, Old Broad Street, London

Application Form

The Application List for the Ordinary Shares (with Series I Warrants attached) now offered for subscription will open at 10.00 a.m. on Monday, 21 January 1985 and may be closed at any time thereafter.

This Application Form, when completed, must be lodged with or posted to Bank of Scotland, New Issue Department, at either 26A York Place, Edinburgh EH1 3EY or 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL together with a cheque or banker's draft representing the full amount payable on application (75p per share) so as to be received not later than 10.00 a.m. on Monday, 21 January 1985. Photostat copies of Application Forms will not be accepted.

A separate cheque or banker's draft must accompany each Application Form. Cheques and banker's drafts must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses, must bear the appropriate sorting code number in the top right hand corner and must be made payable to 'Bank of Scotland' and crossed 'Not Negotiable'. All cheques and banker's drafts are liable to be presented for payment on receipt.

Applicants are strongly advised to use first class post and to allow two days for delivery

PACIFIC ASSETS TRUST PLC

Offer for Subscription

of

12,000,000 Ordinary Shares of 50p each (with Series I Warrants attached) at 100p per share payable as to 75p on application and as to the balance of 25p on 15 July 1985

Underwritten by

BELL, LAWRIE, MACGREGOR & CO.

* Number of shares applied for	Amount of cheque or banker's draft enclosed (75p per share)

*** Application may only be made for 100 shares or a multiple thereof.**

To Pacific Assets Trust PLC

I/We enclose a sterling cheque or banker's draft payable to 'Bank of Scotland' for the above mentioned sum being the amount payable on application for the stated number of Ordinary Shares of 50p each (with Series I Warrants attached) of Pacific Assets Trust PLC ('the Company') at 100p per share and I/we hereby apply for that number of shares (with Series I Warrants attached) and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of the Offer for Subscription dated 15 January 1985 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a partly paid renounceable Letter of Allotment in respect of the number of shares (with Series I Warrants attached) in respect of which this application is accepted and/or a cheque for any moneys returnable by post at my/our risk to the first address given below. I/We hereby authorise you to procure that my/our name(s) be placed on the register of members of the Company as holder(s) of such of the shares allotted to me/us as have not been duly renounced, and on the register of Series I warrantholders of the Company as holder(s) of the Series I subscription rights attached to such shares.

In consideration of your agreeing to accept applications upon the terms and subject to the conditions of the said Offer for Subscription, I/we agree that this application shall be irrevocable until 4 February 1985 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon despatch by mail or delivery of this Application Form duly completed to Bank of Scotland.

I/We understand that the completion and delivery of this Application Form, accompanied by a cheque, constitutes an undertaking that such cheque will be honoured on first presentation. I/We acknowledge that any renounceable Letters of Allotment and (if appropriate) any cheque for any moneys returnable to me/us are liable to be held pending clearance of my/our cheque.

For office use only	
1 Acceptance number	
2 Number of shares allotted	
3 Amount received	£
4 Amount payable	£
5 Amount returned	£
6 Cheque number	
7 Brokerage (ex-VAT)	£

Dated .... 1985 1. Signature ....

Please use block capitals

← Christian name(s) or forename(s) (in full)
← Surname and designation (Mr, Mrs, Miss or Title)
← Address (in full)

Stamp of recognised banker or stockbroker claiming brokerage (see Note 5 below)

VAT No.

Please pin your cheque or banker's draft here

(In the case of joint applications all further applicants must sign and complete below)

2 Signature
Christian name(s) or forename(s) (in full) — Surname and designation (Mr, Mrs, Miss or Title)
Address (in full)

Please use block capitals

3 Signature
Christian name(s) or forename(s) (in full) — Surname and designation (Mr, Mrs, Miss or Title)
Address (in full)

4 Signature
Christian name(s) or forename(s) (in full) — Surname and designation (Mr, Mrs, Miss or Title)
Address (in full)

Notes:

1. **Any signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity.**
2. **If this form is signed under a Power of Attorney, such Power of Attorney or a duly certified copy thereof must accompany this form.**
3. **No receipt will be issued for the payment on application,** but an acknowledgement will be forwarded through the post in due course, either by a partly paid renounceable Letter of Allotment for all or part of the shares applied for and/or a cheque for any application moneys returnable, in each case at the risk of the applicant.
4. **Until 1 March 1985 dealings in Ordinary Shares (with Series I Warrants attached) will be in multiples of five Ordinary Shares only. Thereafter Ordinary Shares and Series I Warrants will be transferable separately.**
5. A commission of ½ per cent will be allowed to recognised banks and stockbrokers on allotments made in respect of applications bearing their stamp and, if applicable, VAT number. This commission will not, however, be paid in respect of allotments which arise out of underwriting commitments or allotments made to persons who have indicated (or in respect of whom the other stockbrokers to the Offer have indicated) to Bell, Lawrie, Macgregor & Co. their intention to apply for shares, to the extent that they so apply.

FT/150185

THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

Clare (left) and Alison Spottiswoode

A customised approach to computer software

BY ELAINE WILLIAMS

SISTERS Clare and Alison Spottiswoode believe that small business is poorly served with microcomputer software. They maintain that few companies in this field have developed computer programs in a logical way by identifying needs of potential customers.

Alison Spottiswoode argues that a company often develops a program for its own requirements and then tries to sell it to others. She is also critical of the instructions and training which comes with software. At best, it is muddled; at worst, incomprehensive, she maintains.

The sisters have, therefore, set out to improve the situation, with their company, Spottiswoode and Spottiswoode, aiming to provide vertically-integrated packages of business software for microcomputers for different business sectors.

The sisters intend to sell sets of computer programs to customers within, for example, the soliciting, accounting and surveying professions and to carry out general office and specialised functions suited to their particular needs. The company is already selling packages put together from software developed by other organisations. It has also completed development of its own products, including one on international portfolio management.

Clare is already a veteran at running her own business. She started importing silks and cottons from Taiwan (where her parents lived for a time) while she was at boarding school. When she sold the business last year, the turnover had reached £40,000 a year with customers in 400 shops throughout the UK.

Today, Clare, who has two small daughters, gets a lot of support from her architect husband, Oliver Richards, who has also set up his own practice in an adjacent office at Russell Street, in London.

Six years younger, Alison Spottiswoode is a Chemistry graduate from Cambridge (Clare studied mathematics and economics there) who has worked for companies like IBM and Shell. When Clare asked her sister to help develop the new business, Alison had no hesitation. "I wanted to take on the challenge of running a small business. I felt that it would take 20 years to get anywhere in a large company," she said.

With £20,000 funds from their own reserves, the women raised a further £120,000 to set up the new business, some of it coming from private sources and some from government grants, but have found that growth of business is already putting demands on them for a further infusion of capital.

Alison Spottiswoode says: "We are aiming at the chap who wants a computer system for his business but who wants to buy everything off the shelf. We hope to sell programs which will be able to carry out 90 to 95 per cent of a business's needs; to do more would be too expensive."

It is the company's intention to develop its vertically integrated programs in cooperation with firms which are leading in their particular professional field. Alison Spottiswoode says that several companies are already interested in collaborating. In marketing other organisations' software the company has, for example, already forged close links with Psion, whose main products are aimed at Sinclair computers.

The company has a staff of nine and other consultants have been brought in to develop new markets and ideas. The women believe in using the specialist skills of others where they have no particular expertise — for example, insurance.

Until now, the company has concentrated on computer consultancy, advising businesses on the installation of microcomputers.

In addition, Spottiswoode and Spottiswoode has written guides on software for Century Publishing to support the launch of computer software for the Sinclair QL microcomputer. The books are being sold through the larger retail outlets such as W. H. Smith. This, the women hope, will be important for the company's image in the market. Five books are planned in this series under the company's Blueprint trademark.

With a large untapped market in computers Clare notes: "It is a great temptation to move into other areas, but it is not necessarily a good thing."

Alison adds: "We do have plans for our growth but don't set much store by them."—though she quickly explains that this was because of the rapid changes in the computing market.

The computer software market is a very competitive industry with fortunes won and lost virtually overnight. "Even if we fail, we are still fairly marketable," says Alison.

Deregulation

Red tape on the wane?

BY IAN HAMILTON FAZEY

WHEN ALL the official documentation affecting the day-to-day running of a small business is laid end to end it stretches for 155.2 metres, and when it comes to forms that have to be filled in on VAT, PAYE, statutory sick pay and the like, there are nearly 40 metres of them.

This is some of the tangible evidence which has been presented to civil servants now writing up the conclusions of a Rayner-type scrutiny committee that has been investigating business regulation.

The commitee's recommendations are expected to be in the hands of David Trippier, the small firms minister, by the end of this month. Early action is expected because of three factors.

The first is the growing alarm in Government circles that small businesses are not being formed at a fast enough rate. Although there are about 1.3m of them and there was a net gain of 120,000 between 1980 and 1983, the rate of growth in the gross number is thought too low, given that up to 40 per cent of new ventures can be expected to fail.

Trippier believes that red tape is deterring many people from setting up.

The second factor is that Trippier has the support of the Prime Minister. This is important because Tripper's post is a junior one in the Department of Trade and Industry and he has little personal influence with the Whitehall departments or agencies that would have to act in concert to deregulate small business life. There are at least eight of them.

This tacit support from No 10 Downing Street might make it unnecessary to bring into play the third factor, Lord Young's enterprise unit, which has on its agenda both deregulation and how to encourage growth of small business as principal methods of creating more jobs.

The enterprise unit has, in fact, stood off on deregulation for the past two months so as not to duplicate the work of the scrutiny committee. Whether it will step in will depend on how radical the committee's recommendations are.

What many people in Whitehall do not want to see is a timid compromise that ignores the main issues. This might happen because of the large numbers of interdepartmental frontiers involved. Members of the scrutiny committee are from the Home Office, Customs and Excise, the Inland Revenue, and the Departments of the Environment, Trade and Industry, Health and Social Security, and Employment.

Although the chairman is from the DTI, where there is strong support for deregulation, there is apprehension among Ministries and pressure groups that the line of least resistance, with which all could agree, may not lead to much change. At the same time, the Treasury has not been represented on the committee, although its officials are understood to have kept a watching brief. Since there will be revenue implications in any radical change, Lord Young's supra-departmental role might still therefore be necessary if the Government is to go that far.

> 'Adding to pressure for change last week was the Adam Smith Institute . . . . which argues powerfully for deregulation as a means of stimulating small company growth'

However, there is already evidence of Whitehall resistance, with the argument being advanced in some quarters that there is no grass roots pressure for deregulation, only noise and gripes from pressure groups. Some results from a simple telephone survey by civil servants are being used to back this up.

What is being said is that many small companies which have been telephoned at random have not complained about feeling over-regulated. Rather, their owners or managers have said that red tape is part of everyday business life and that they have adjusted to it.

This is treated with scorn by Stan Mendham of the Forum of Private Business, one of the main campaigners for deregulation. He says: "There are two rules about regulations. The first is that the law is always right. The second is that when the law is wrong, rule one applies.

"The vast majority of small businesses are run by honest citizens who find the time to do what the law requires of them, even though the regulations are geared to big business and are a waste of time. Those who are not willing to do this operate in the black economy. Deregulation is very important, not only to make life easier for the legitimate small business, but to get people out of the black economy and paying their taxes," maintains Mendham.

Adding to the pressure for change last week was the Adam Smith Institute, which published a research document, the Job Creation Machine, which argues powerfully for deregulation as a means of stimulating small company formation and growth.

This says that businesses with less than 20 employees should be exempted from the Employment Protection Act and most of the provisions of the Health and Safety at Work Act. It also wants small business employers' National Insurance contributions to be remitted.

It says that other special provisions should include streamlined means of obtaining planning permission, abolition of training levies, an end to PAYE (with small businesses able to take on self-employed people under contract instead), VAT exemption for businesses turning over less than £100,000 and a 20 per cent small business quota for all government contracts with the private sector.

It also wants the establishment of a standing deregulation unit in Whitehall and abolition of the Inland Revenue's status as a preferential creditor—which encourages the revenue to bankrupt small business people.

Mendham is less concerned with intervention on behalf of small business as with freeing people from unproductive activity that actually yields very little, if any, revenue for Government. The present VAT-registration threshold of £18,700 is a particular beef. He also favours deferral of taxes for three years to aid cash flow in the crucial early stages of growth.

Manipulation with a clear conscience

The HOW TO of...

CLOSING THE SALE

CLOSING the sale is the moment of truth in all customer contact. It is the acid test of success or failure and even professional sales people are daunted by it. The small business owner should therefore recognise trepidation as normal and be ready with some simple techniques to overcome the problem.

What sales people call the "basic close"—during which they hope to have stimulated a desire to buy—is to end the sales dialogue by asking straight out for the order and then shutting up. At this point the pressure is greatest on the prospective buyer and even a gesture might break the tension and produce the wrong answer.

The basic close therefore carries a lot of risk. Professionals are trained in how to reopen the dialogue if the answer is no and build up to another climax and close. But they are also trained in other methods of closing the sale that avoid the yes-or-no crunch. These are worth their place in any small business person's armoury.

They work on the theory that it is better to assist people to say yes than to force them into a corner where they have to make a choice. Since all involve some manipulation, care must be taken not to appear to be rushing, hustling, bullying or —even worse—"conning" the customer. You should, however, be positive: you are not asking for a favour; this is business.

Getting the timing right is crucial. The tell-tale signs of when to strike will come with experience, but, basically, the dialogue should have developed to the point where there is an easiness in the air and Mr Prospect feels comfortable enough to ask such questions as, "How much is this going to cost me?" or "How soon could you deliver?" or "Do you invoice on delivery or at the end of the month?" or "What are your credit terms?"

Anyone asking such questions is already thinking, "What if . . . ?"—as in, "What if I take delivery on the 1st? Can I be invoiced on the 31st and get, in effect, 30 days extra credit?" It is reasonably safe to assume he is about to say yes. Answer his question and close the sale immediately.

The "assumed close" is exactly that—an assumption that Mr Prospect has decided to buy. You might say something like: "If you'll initial this order note, we'll deliver within seven days." In effect, you will have made the decision for him and it will require quite an effort for him to change his mind.

Even if he says, "Hold on, I haven't decided to buy this yet," you can still reply, "Sorry, I thought you had. Are there more points you want to clear up before signing?" This still assumes an eventual "yes" decision and implies that once you have answered his next question the order will be forthcoming.

The "alternative close" takes an assumption of "yes" and leapfrogs it. You simply say, "Shall we deliver next Tuesday or Thursday?" or offer some similar type of alternative. By answering the question, Mr Prospect will have committed himself.

Another approach is to close on a minor point. The basic close is the major question but you ask a minor one almost in the same breath. For example, "Well, perhaps we could fill in this order form—and by the way would you like to go on our brochure mailing list?" By saying yes to the minor point, Mr Prospect nods his assent to the major one.

Finally, you might also consider writing a friendly letter to Mr Prospect when you get back to your office confirming the order and assuring him of your best service. Not only does this cement the sale, it reassures him of your integrity if he has woken up the next morning and wondered at which point he actually said yes.

IHF

Business Opportunities

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Principals or their advisers please contact, without obligation, Kevin Caley or John Naylor

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Tel: 021 643 3941

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West Central Holdings Limited
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London WC2E 9JW
Tel: 01-379 3461

MAI Basic Four COMPUTERS

Telephone: 01-965 9731 or 021-643 8117

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Tel: 01-235 8744.
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Write Box F5423, Financial Times 10 Cannon St, London EC4P 4BY

EXPERIENCED COMPANY DIRECTOR/CHAIRMAN/MD

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For an initial discussion in strict confidence please write: Box F5434, Financial Times 10 Cannon St, London EC4P 4BY

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Company Notices

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NOTICE IS HEREBY GIVEN that, in respect of the mandatory redemption instalment due for 15th February, 1985, bonds in an aggregate principal amount of £820,000 have been purchased under Condition 3(D) of the Bonds and will be credited against such instalment in accordance with Condition 5(A) of the Bonds and that the under-mentioned Bonds amounting to £380,000 were on 9th January, 1985 drawn by lot in the presence of a Notary Public, for repayment at par on 15th February, 1985, from which date all interest thereon will cease:—

Bond Numbers

16	81	122	185	187	235	252
300	343	388	446	494	314	538
373	622	877	707	758	785	824
642	923	945	964	1013	1096	1118
1159	1180	1236	1282	1313	1354	1385
1422	1468	1509	1537	1583	1627	1632
1744	1763	1761	1828	1879	1011	1957
1978	2025	2050	2082	2117	2169	2221
2270	2321	2354	2293	2423	2474	2502
2539	2568	2609	2888	2715	2762	2763
2623	2661	2903	2930	2903	3017	3068
3133	3156	3199	3213	3272	3312	3341
3363	3432	3466	2511	3357	3591	3644
3670	3712	3762	3783	3819	3870	3021
3881	3996	4008	4046	4181	4448	4481
4672	4467	3406	4313	4539	4575	4612
4673	3706	3760	3788	3829	3879	4912
4982	4995	5027	5085	5112	5136	5160
5232	5284	5321	5791	5799	5801	7133
7141	6283	8207	6306	8334	8375	8422
8482	8512	6575	6391	8608	3667	8710
8782	8755	8822	8878	8925	8968	3893
9022	9840	9070	9133	9162	9184	9223
8275	0202	9357	9389	9438	9481	9319
8599	8592	0812	9820	0759	9775	9798
0826	9662	9913	9953	9971	10013	10062
10102	10136	10193	10222	10274	10323	10342
10375	10819	10278	10515	10527	10560	10618
10656	10704	10728	10793	10835	10896	10917
10944	10965	11026	11057	11122	11181	11180
11263	11274	11292	11309	11239	11286	11397
11433	11459	11484	11305	11942	11563	11596
11612	11829	11849	11882	11718	11776	11797
11828	11848	11851	11911	11982	11089	12012
12083	12115	12161	12192	12223	12281	12303
12344	12357	12408	12879	12519	12524	12839
12845	12673	12712	12771	12798	12843	12854
12801	12922	12255	12278	12206	13322	13345
13379	13434	13487	12518	12887	13592	13614
13845	13722	13720	13773	12844	13888	13912
13825	13852	14028	14088	14112	14182	14195
14229	14272	14208	14322	14279	14426	14463
14518	14611	14822	14922	14087	14068	14996
15023	15077	15112	15174	13191	15234	15268
15300	15359	15388	15413	15670	15522	13537
15587	15825	15682	15715	15728	15790	15829
15857	15916	15967	15913	16007	16055	16111
16122	15162	16240	16280	16329	16265	16392
16411	16485	16502	16529	18821	16676	18722
18779	18811	1682[illegible]	18895	[illegible]8984	18946	16977
17013	17036	17082	17122	17162	17191	17209
17250	17274	17320	17349	17268	17434	17284
17494	17527	17555	17579	17606	17637	17669
17720	17725	17739	17818	17851	17860	17813
17028	17052					

380 Bonds at £1,000 = £380,000

The above-mentioned Bonds may be lodged for repayment on or after 15th February, 1985 at the offices of J. Henry Schroder Wagg & Co. Limited, Coupon Department, 120 Cheapside, London EC2V 6DS between the hours of ten and two o'clock and at J. Henry Schroder Bank & Trust Company, 1 State Street, New York N.Y. 10015, Societe Generale de Banque S.A., Montagne du Parc 3, 1000 Brussels, Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg and Algemene Bank Nederland N.V., Vijzelstraat 32, Amsterdam.

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1775 2671 3766 8889 17733

LONDON: 13th January, 1985.

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NOTICE IS HEREBY GIVEN that in accordance with condition 5 (b) of the Notes and sections 5 and 6 of the Fiscal Agency Agreement dated August 6th 1981 between Sumitomo Finance (Asia) Limited (the Company) and Chemical Bank, 180 Strand, London, as Fiscal Agent, the Company elects to redeem all of its Floating Rate Note Issue due August 1988. The date set for redemption shall be February 11th 1985 and the Notes will be redeemed at par value for the principal amount plus accrued interest to the date set for redemption. On February 11th 1985 the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all appurtenant coupons, if any, maturing on or after the date fixed for redemption at the offices of Chemical Bank, 180 Strand, London, or at the Sumitomo Bank Limited, Brussels, London, Hong Kong, Singapore and New York, and the principal office of Kredietbank Sa Luxembourgeoise, Luxembourg.

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1220	1222	1224	1227	1230	1234	1238	1375
2133	2165	2383	2541	2545	2634	2639	2646
2650	2653	2675	2677	2681	2695	2705	2796
2810	2852	4375	4380	4386	4394	4449	5088
9679	9766	9794	9800	9802	9809	9868	9946
9959	10058	10065	10074	10093	10262	10411	10566
11647	11665	12781	13582	16239	16248	16361	16393
17296	18970	19092	19691	21220	21259	23870	23947
24001	24290	25346	25354	26800	26830	27840	27870
29085.							

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Luxembourg, January 15, 1985

EUROPEAN INVESTMENT BANK

FT LAW REPORTS

Foreign law defence disallowed in Rumasa case

WILLIAMS & HUMBERT LTD v WH TRADE MARKS (JERSEY) LTD AND OTHERS RUMASA SA & OTHERS v *MULTINVEST* (UK) LTD AND OTHERS

Chancery Division (Mr Justice Nourse): December 19 1984

WHERE A company sues for recovery of assets at the instigation of a foreign state, defences alleging that the proceedings are an attempt to enforce foreign expropriatory laws which ought not to be enforced in England will be disallowed if the relevant laws were already in force before the proceedings began or if the assets would be recoverable by the company and not by the foreign state.

Mr Justice Nourse so held in interlocutory applications in two related actions commenced at the instigation of the State of Spain in which it was sought to raise the defence that the proceedings were an attempt to enforce foreign expropriatory laws which ought not to be recognised or enforced in England. In the first action, the "trade marks" action brought by William H. Humbert Ltd., an English company, be struck out part of the defence pleaded by WH Trade Marks (Jersey) Ltd. and others. In the second action, the "*Multinvest*" action brought by Rumasa SA, a Spanish company, and its two subsidiary banks, Jerez and Norte, he refused an application for leave to amend a defence by Multinvest (UK) Ltd. and others. Mr Jose Maria Ruiz-Mateos was a defendant to both actions.

HIS LORDSHIP said that Williams & Humbert shipped and marketed Dry Sack sherry. It had long been the registered proprietor of the trade marks in that name. In June 1972 Rumasa acquired the entire issued share capital of Williams & Humbert's holding company.

Mr Mateos was effectively the controller of Rumasa. In 1975 and 1976, at his direction, arrangements were made with regard to the Dry Sacks trade marks. They included incorporation of W & H Trade Marks (Jersey) to hold and exploit the trade marks, and an agreement under which Williams & Humbert was licensed to use them. W & H had the right to terminate the licence if Romasa or any subsidiary holding shares in Williams & Humbert were expropriated or compulsorily acquired.

The W & H shares were held by a trust company on certain trusts, with a proviso that they were to be held for Mr Mateos and his family absolutely in the event of confiscation or the like.

Those arrangements were completed by the end of 1980. In 1983 all shares in the Rumasa group were forcibly expropriated under two Spanish Laws. The state of Spain took possession of the expropriated companies and assumed all the powers of company operation.

The result was that the shares in W & H and the benefit of the Dry Sacks trade marks, became held in trust for Mr Mateos and his family absolutely; and that Spain became entitled to control the affairs of Williams & Humbert.

If the 1975-76 arrangements were valid, then Williams & Humbert could no longer benefit from exploitation of the valuable trade marks.

The State of Spain caused Williams & Humbert to commence the "trade marks" action, claiming *inter alia* a declaration that the 1975-76 arrangements were *ultra vires* Williams & Humbert as involving a gratuitous disposition of its assets for the benefit of Mr Mateos and his family; and damages against Mr Mateos.

The "Multinvest" action arose out of loans made in 1982 by a Rumasa subsidiary bank through various puppet companies. The sums lent had been credited to accounts controlled by Multinvest NV, the entire share capital of which was held to the order of Mr Mateos, and which owned 100 per cent of the shares in Multinvest (UK).

The State caused Romasa and its subsidiary banks to commence the Multinvest action in which it was alleged that Mr Mateos acted in breach of his fiduciary duties to them, claiming that the shares in Moltiovest NV and the puppet companies were held in trust for them.

In each of the two related actions, Mr Mateos sought to raise the defence that the proceedings were an attempt to enforce foreign expropriatory laws which either ought not to be recognised or ought not to be enforced in England. Leave to raise the defence was opposed on the ground that it was bound to fail and ought to be disallowed.

The extent to which English law would recognise and enforce foreign expropriatory laws had been explored in a series of cases since the First World War.

Existing authorities appeared to support the following propositions: *Class 1 laws* (1A) English law would not recognise foreign laws which, by reason of their being discriminatory on grounds of race religion or the like, constituted so grave an infringement of human rights that they ought not to be recognised as laws at all; (1B) English laws would not recognise foreign laws which discriminated against UK nationals in time of war by purporting to confiscate their movable property situated in the foreign state.

Class 2 laws (2A) English law, while recognising foreign laws not falling within Class 1 which confiscated property situated in the foreign state, would not directly or indirectly enforce them in the UK if they were also penal; (2B) English law would not enforce laws which purported to confiscate property situated in the UK.

The proposition that English law would not recognise foreign laws which did not already fall within categories (1A) or (1B), but which purported to confiscate the property of particular individuals or classes of individuals [see *Helbert Wagg [1956] Ch 323, 346*], was not supported by the existing authorities and was contrary to such principles as could be extracted from them. No such category of Class 1 laws existed.

Mr Reid for the defendants in both actions, submitted first that the relevant Spanish Laws were capable of being Class 1 laws.

The submission was bound to fail. The criticisms made got nowhere near establishing that the Laws were capable of falling within category (1A).

His alternative submission was that the Spanish Laws were capable of being Class 2 laws—laws whose validity and effect in Spain would be recognised but which would not be directly or indirectly enforced in England.

Foreign laws which English law would recognise but would not directly or indirectly enforce (other than those in (2B) above), were usually divided into three categories: penal, revenue and other public laws (see *New Zealand v Ortiz [1984] AC 1*).

Mr Brodie for Rumasa submitted that even if the Spanish Laws were capable of being "other public laws," the actions were incapable of being a direct or indirect enforcement.

It was manifestly not a case of direct enforcement. *Government of India v Taylor [1955] AC 491* was a case of direct enforcement of foreign revenue laws because it was the foreign state which sued, and because it sued for unpaid taxes. It seemed that if either of those two features was absent the case was at best one of indirect enforcement.

Banco de Viscaya [1935] 1 KB 140, *Peter Buchanan [1955] AC 516n* and *Rossano [1963] 2 QB 352* were cases of indirect enforcement because it was not the foreign state which sued. *Brokdio [1971] 2 QB 476* was a case of indirect enforcement because, although it was the foreign state which sued, it did not sue for unpaid tax, but for seizure of goods. *Lord Cable [1977] 1 WLR 7* was a case of indirect enforcement because although it was the foreign state which applied to be joined to the proceedings, it could not have recovered the funds direct.

Mr Reid submitted that the claims made in the present actions were really brought for the purpose of acquiring assets for the state of Spain and were therefore an indirect enforcement of the Laws.

The object of the Laws was to acquire direct ownership and control of Rumasa and the two banks, and indirect ownership and control of Williams & Humbert. That object was duly achieved by perfection of the State's title in Spain.

Accordingly there was nothing left to enforce. That consideration distinguished the present case from all others on indirect enforcement of penal or revenue laws, where the object of the foreign laws could only have been achieved by invoking the assistance of the English court.

The rights asserted by the plaintiffs in each action were independent rights to recover their own assets which arose before the coming into effect of the two Laws and were not affected thereby.

Also, the trades marks action could not properly be described as one which sought to get in assets for the State of Spain. The correct analysis was that if it were successful the assets recovered would accrue to a company indirectly owned and controlled by the state.

That was another feature which distinguished the trades marks action from all the other cases on indirect enforcement, where the effects recovered would ultimately have accrued to the foreign state itself. The proposition that the property owned by a company belonged to its shareholders or was held or managed by the company on behalf of its shareholders, formed no part of English law (see *Salomon [1897] AC 22*).

If Mr Reid's submission were correct it must follow that the trade marks action could not be pursued and that the assets which it was sought to recover would be lost to Williams & Humbert, even though the legitimate claims of its creditors might thereby be frustrated. That could not be correct.

Neither action was capable of being a direct or indirect enforcement of the Spanish Laws. Accordingly, even they were penal or other public laws, there was no doubt that Mr Reid's alternative submission, like the first, was bound to fail.

For the plaintiffs in both actions: C. A. Brodie QC, A. G. Steinfeld and Daniel Gerrans (Herbert Smith and Co.).

For the defendants in the trade marks action: Robert Reid QC and Simon Berry (Denton Hall and Burgin).

For the defendants in the Multinvest action: Robert Reid QC and W. R. Stewart Smith (Denton Hall and Burgin).

By Rachel Davies
Barrister

هكذا في الأصل

FINANCIAL TIMES

Tuesday January 15 1985

Bond managers take a pause for breath, Page 44

WALL STREET

Late surge as prime trimmed

STOCKS RESUMED their advance on Wall Street yesterday in another session of heavy trading. The blue chips soared ahead in the final bour after Manufacturer's Hanover reduced its prime rate from 10¾ per cent to 10½ per cent. The stock market has been expecting another round of prime rate cuts because of the recent falls in money market rates, *writes Terry Byland in New York.*

Stock prices, which had opened lower in line with the bond market, began to climb higher at mid-session. By contrast with last week, it was the blue-chip issues which stood out, and the advance was slow to spread across the full range of the market.

A gain of 11 points in the Dow was sharply extended after the prime rate news, and the Dow Jones industrial average ended a net 16.45 points up at 1,234.54. Turnover, at 125m shares, almost equalled last Thursday's level. Standard Oil of Indiana jumped 1¼ to $53½ after announcing the sale of loss-making operations.

The prime rate move contrasted with renewed concern on Wall Street over the medium-term outlook for interest rates, which kept the bond market subdued throughout the session.

Some credit market analysts expressed concern that a reviving economy would push rates higher at mid-year. This made market traders nervous ahead of this week's flow of economic data on housing starts, industrial production and retail sales.

With some analysts predicting that yields on long-dated bonds, currently around 11.6 per cent, could rise to 12.5 per cent or more later this year, prices for 20 and 30-year federal issues fell by nearly half a point at the opening. Near-dated issues were steadier, behind a federal funds rate of 6⅛ per cent.

The bank results season continued, led by J. P. Morgan, which jumped $1½ to $81½ on good earnings news. There was more modest response to trading statements from Chase Manhattan $1 up at $48½ and First Chicago Banking, $1 higher at $22¾.

A major feature of the financial sector was the sale of a hlock of 3.2m shares in American Express, the travel and financial services group, at $37¾, after which the stock traded at $38¼, a net $⅜ down.

General Reinsurance tumbled $1¾ to $61¼ after Morgan Stanley, the major brokerage house, cut its earnings estimates for the group.

Good results from NCR strengthened the technology sector, and provided a lead for the rest of the industrial stock market. At $29, NCR gained $1⅜ and IBM jumped $2¼ to $125. Also firm was Honeywell, $1 up at $59¼ and Control Data, $1⅛ better at $36.

Texas Oil and Gas, first of the energy exploration groups to report profits, added $⅝ to $17⅞ on its first quarter statement.

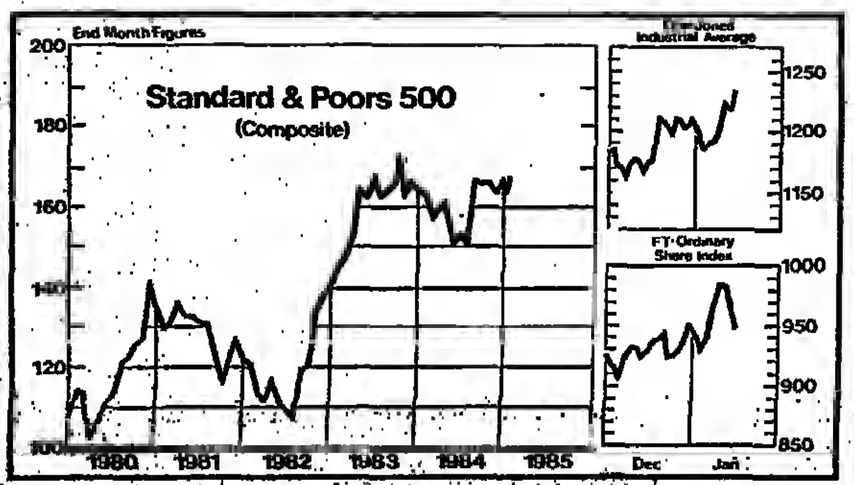
Motor stocks continued to draw encouragement from Ford's decision to increase the quarterly dividend. Ford added $1⅞ to $48 and General Motors $1½ to $81. The results now due are expected to be strong.

In bid issues, NI Industries spurted $3⅞ to $21⅜ on the offer of $22 a sbare from Masco Corporation. Datapoint added $¼ to $21⅛ as the board rejected the offer from Mr Asher Edelman.

In the bond market, long dated issues rallied from early weakness, when the sellers failed to appear. The key long bond, off initially, later traded a net 7/32 down at 100 25/32. The market is enjoying a respite from Treasury financing, hut will face fresh funding demand next month.

Rates were narrowly mixed at the short end, with Treasury hills a couple of basis points on either side of their pre-weekend quotations. Federal funds edged up from an opening of 8 per cent but remained comfortably below 8½ per cent, encouraging belief that the Federal Reserve is satisfied with this rate.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 14	Previous	Year ago
NEW YORK			
DJ Industrials	1,234.54	1,218.09	1,270.10
DJ Transport	587.80	572.52	602.96
DJ Utilities	148.34	147.26	134.30
S&P Composite	170.51	167.91	167.02
LONDON			
FT Ord	949.3	968.3	813.7
FT-SE 100	1,220.5	1,248.6	1,042.7
FT-A All-share	590.17	602.05	492.90
FT-A 500	646.90	660.36	526.32
FT Gold mines	465.8	474.2	542.8
FT-A Long gilt	10.72	10.52	10.03
TOKYO			
Nikkei-Dow	11,823.91	11,812.24	10,150.90
Tokyo SE	930.39	931.39	762.24
AUSTRALIA			
All Ord.	734.2	730.2	775.0
Metals & Mins.	409.9	409.6	541.1
AUSTRIA			
Credit Aktien	58.73	58.86	55.13
BELGIUM			
Belgian SE	2,157.2	2,183.6	–
CANADA			
Toronto			
Metals & Minls	1,964.7	1,949.9	2,504.0
Composite	2,388.0	2,375.7	2,565.4
Montreal			
Portfolio	119.64	118.80	125.94
DENMARK			
Copenhagen SE	159.44	160.51	221.8
FRANCE			
CAC Gen	189.7	190.0	167.3
Ind. Tendance	103.7	104.3	89.7
WEST GERMANY			
FAZ-Aktien	388.43	392.27	353.32
Commerzbank	1,130.8	1,142.7	1,043.8
HONG KONG			
Hang Seng	1,356.06	1,352.89	975.47
ITALY			
Banca Comm.	247.44	249.21	212.34
NETHERLANDS			
ANP-CBS Gen	187.9	188.8	164.2
ANP-CBS Ind	151.2	151.7	136.6
NORWAY			
Oslo SE	311.84	311.72	233.8
SINGAPORE			
Straits Times	774.54	778.47	1,035.21
SOUTH AFRICA			
Golds	n/a	1,000.7	827.4
Industrials	n/a	907.2	992.4
SPAIN			
Madrid SE	107.67	107.00	75.53
SWEDEN			
J & P	1,439.51	1,441.46	1,526.5
SWITZERLAND			
Swiss Bank Ind	401.7	402.0	388.0
WORLD	Jan 11	Prev	Year ago
Capital Int'l	188.5	188.8	185.9

GOLD (per ounce)

	Jan 14	Prev
London	$302.00	$304.00
Zürich	$299.50	$304.25
Paris (fixing)	$301.44	$305.44
Luxembourg	$301.60	$303.45
New York (Feb)	$303.90	$300.30

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Jan 14	Previous	Jan 14	Previous
$	–	–	1.111	1.1245
DM	3.1935	3.153	3.55	3.5475
Yen	255.45	253.75	283.75	285.5
FFr	9.775	9.6675	10.845	10.845
SwFr	2.676	2.643	2.97	2.97
Guilder	3.6055	3.5545	4.005	4.005
Lira	1,955.5	1,939.5	2,172.0	2,184.0
BFr	63.75	63.05	70.9	71.0
C$	1.32425	1.32105	1.471	1.4925

INTEREST RATES

	Jan 14	Prev
Euro-currencies (3-month offered rate)		
£	12¼	10¾
SwFr	5 5/16	4 15/16
DM	6	5 13/16
FFr	10 13/16	10 11/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅝	8 7/16
6-month U.S.$	9 1/16	8 15/16
U.S. Fed Funds	8⅝	8⅝
U.S. 3-month CDs	8.15	8.05
U.S. 3-month T-bills	7.75	7.75

U.S BONDS

Treasury		Jan 10* Price	Jan 10* Yield	Prev Price	Prev Yield
9⅞	1986	99 23/32	9.03	99 23/32	9.03
11⅝	1992	101 24/32	11.45	101 21/32	11.46
11⅝	1994	100 1/32	11.59	100 1/32	11.58
11¾	2014	100 23/32	11.65	101	11.63

Corporate	Jan 14* Price	Jan 14* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	95⅞	11.40	95⅞	11.40
5⅝ July 1990	73⅞	10.25	73⅞	10.25
8⅝ May 2000	77	12.10	77	12.10
Xerox				
10⅞ March 1993	94	11.80	94	11.80
Diamond Shamrock				
10⅞ May 1993	91⅝	12.25	91⅝	12.25
Federated Dept Stores				
10⅞ May 2013	86¾	12.30	86¾	12.30
Abbot Lab				
11.80 Feb 2013	94½	12.50	94½	12.50
Alcoa				
12¼ Dec 2012	96⅝	12.75	96⅝	12.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	70-18	70-24	70-09	70-25
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.85	91.88	91.79	91.82
Certificates of Deposit (IMM) $1m points of 100%				
Mar	91.12	91.14	91.05	91.09
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.75	90.75	90.67	90.81
20-year Notional Gilt £50,000 32nds of 100%				
Mar	104-08	104-23	104-03	105-22

COMMODITIES

(London)	Jan 14	Prev
Silver (spot fixing)	531 10p	540.00p
Copper (cash)	£1,172.50	£1,173.50
Coffee (Mar)	£2,336.50	£2,297.50
Oil (spot Arabian Light)	$28.35	$28.35

LONDON

Lending rate rise saps confidence

A RISE in the hase lending rate yesterday led to the steepest sbare price falls on the London market since mid-October. The lending rate increased to 12 per cent – a 2½ per cent rise during the past two trading days.

Short dated Government securities tumhled over 2½ and the FT-SE 100 sbare index fell 28.1 to 1,220.5. The FT Ordinary share index slid 19 to 949.3.

Bond and share prices came under pressure as soon as banks increased borrowing charges, with gilts bearing the hrunt of the selling. Support rallies were thwarted and most issues closed on their low points for the day.

Equities followed the downturn with profit-taking adding to the selling pressure. Around one third of the constituents of the FT Ordinary share index showed douhle-figure losses

Chief price changes, Page 36; Details, Page 37; Share information service, Pages 38–39

HONG KONG

A STRONG afternoon rally ln Hong Kong erased early losses and left the market clinging to a marginal overall improvement. The Hang Seng index closed up 5.07 at 1356.06 after falling more than 20 points during the morning.

Impetus for the rally came from overseas huying and the property sector led the market higber. Among the strongest property stocks were Hongkong Kowloon Wharf up 5 cents to HKS5.65, Sun Hung Kai Properties 15 cents higher at HKS8.90 and Hongkong Electric 5 cents up at HKS7.30.

AUSTRALIA

INSTITUTIONAL huying buoyed activity in Sydney, providing enougb strength to overcome the bearish international factors whicb bave depressed trading in recent weeks.

Interest also came from takeover possibilities and helped to boost turnover in the industrial sector. Market speculation that Bond Corporation, in consldering an offer for Australia's largest property group, Hooker Corporation, pushed the shares 6 cents higher to AS2 after Friday's 18 cent rise. Allied Mills rose 10 cents to AS2.90 in response to Industrial Equity's hid on Friday for 40m shares.

SOUTH AFRICA

A SLIGHT recovery in the bullion price left gold shares firmer in Johannesburg. The sector also benefited from a further strengthening of the U.S. dollar whicb will give local gold producers currency gains on sales.

Doornfontein closed R2 firmer at R34, while among the cheaper issues, Venters rose 25 cents to R17. Rand Mines group producers followed the trend ahead the release of their quarterly reports.

Mining financials and other precious metals and mineral groups also advanced.

SINGAPORE

MILD SELLING pressure emerged during a quiet trading session in Singapore. Falls outnumbered rises by three to one while turnover totalled 5.9m shares, compared with Friday's 10.1m.

Sime Darby, the most active stock rose 2 cents to SS1.69. TIM added 13 cents on takeover speculation and closed at SS2.97.

Hotel, property and commodity stocks were slightly lower in thin trading.

CANADA

FROM a weak opening, trading gathered pace in Toronto although turnover remained light and price movements were marginal. The hase metals and minerals sector edged ahead hut golds eased. Oil and gas issues were more sharply lower.

Montreal edged forward during a featureless session with a small improvement in banks but an easier trend among industrials and utilities.

TOKYO

Late lift to lacklustre session

A LACKLUSTRE session was seen in Tokyo yesterday, with the prospect of today's national boliday adding to the passive Monday mood, *writes Shigeo Nishiwaki of Jiji Press.*

Selective huying was evident in incentive-backed issues that bave lagged behind the market advance. Dealers' purchases toward the close helped the market regain some strength bowever.

The Nikkei-Dow market average moved in a narrow range for most of the day, closing the session 11.67 up at 11,823.91 on volume of 380.38m shares, down from 467.28m last Friday. Advances outpaced losses 396 to 336, with 167 issues unchanged.

The market bas levelled off after last week's sharp rises which forced many investors to the sidelines, expecting restrictive moves hy the stock excbange authorities to follow the sharp upturn.

The depressed market featured only selective huying of incentive-hacked issues, priced at Y300 to Y500 a share.

Prominent among these medium and low-priced issues was biotechnology-related Nippon Oil and Fats, whicb topped the active list with 23.13m shares, gaining Y56 to Y695. Kanebo, also a hiotechnology-related issue, ranked second on the list with 15.63m shares, closing Y11 up at Y352. Teijin was fourth with 12.78m shares, firming Y4 to Y463.

Toyojozo, which led the advance of hiotechnology-related issues last week, lost Y10 to Y1,880 in late selling. Profit-taking also took its toll on Yamanouchi Pharmaceutical, sending it down Y10 to Y2,750.

Among high-tech issues, Konishiroku Photo drew strength from its move into compact discs late last week, adding Y39 to Y709. Seika Sangyo and Iwatani firmed Y19 to Y404 and Y8 to Y355.

Elsewhere, Isuzu Motors gained Y21 to Y370 after reports of its truck exports to China. Nippon Denko soared Y150 to Y1,200 on speculative huying. But Fujiya plunged Y79 to Y761 following a number of extortion threats against the company.

Blue chip stocks slipped across a hroad front due to lack of investor interest. Hitachi shed Y10 to Y870, Fujitsu Y40 to Y1,360 and Sony Y90 to Y3,790.

The bond market eased in thin trading, reflecting fading hopes among investors for a further drop in U.S. interest rates and growing expectations that the Bank of Japan will continue guiding short-term interest rates upward to arrest the yen's slide against the dollar. The yield on the benchmark 7.3 per cent government bond due in Decemher 1993 rose to 6.525 per cent from last Friday's 6.505 per cent.

EUROPE

Halt called to record breaking run

A HALT for consolidation and profit-taking was called in many European centres yesterday following the advances which took shares to record highs on successive trading days last week.

Bond prices also eased amid concern about the outlook for interest rates in the U.S. and in the wake of the sbarp rise in Britisb rates in support of sterling.

In **Frankfurt**, where the Commerzhank index dipped 11.9 to 1,130.6, some late buying emerged at the lower price levels and the market mood was said to remain underpinned by the continued demand hy foreign investors.

The demand that emerged towards the end of the session gave impetus to chemical and utility issues. BASF ended 80 pfg lower on balance at DM 183, after a low of DM 161.50, while Veha shed 30 pfg to DM 174.20.

Siemens dipped DM 5.90 to DM 486.60 as it confirmed it planned a hid for Allen Bradley, a leading U.S. factory automation equipment manufacturer.

Banks saw Deutsche DM 4.50 lower at DM 392, while Dresdner fell DM 3.30 to DM 190.50 and Commerzhank DM 3.50 to DM 169.70.

Porsche proved an exception to a generally lower motor sector, adding DM 6 to DM 1,082.

Among stores, Karstadt fell DM 1.50 to DM 240 and Kaufhof DM 2 to DM 225 hut Horten rose DM 3 to DM 182 after an initially easier tendency.

Bond prices shed up to 0.40 points amid fears that the Bundesbank may be considering a rise in the Lomhard rate from the present 5.5 per cent. The Bundesbank sold DM 9.9m of paper after its purchases totalling DM 76.6m last Friday.

Selling pressure from the European Options Exchange, ahead of the expiry on Friday of the January series, contributed to a lower **Amsterdam** performance. The ANP-CBS General index fell 0.90 to 187.90.

The financial sector was under pressure following concern over the course of interest rates while disappointing figures for new mortgages in 1984 also depressed mortgage banks. WUH shed Fl 9 to Fl 112.

Among the major companies, Akzo continued to suffer from selling pressure falling Fl 1.80 to Fl 99.20.

Bond prices eased in quiet trading, with many investors expecting the announcement of a new state loan later in the week

Profit-taking in recently sought blue chips contrihuted to an easier **Zurich** tone.

Banks were mostly easier, while insurances were steady. Chemicals found some demand which pushed Sandoz SwFr 100 higher to SwFr 7,500. Bonds were steady in quiet trading.

Paris was also subject to profit-taking. However, champagne company G. H. Mumm resumed trading to close at FFr 763, up 27.8 per cent from its previously traded price of FFr 598 on December 12. The share was suspended pending details of an offer hy Seagram of Canada to acquire all outstanding Mumm shares at FFr 775 a share.

Elsewhere, Bouygues, the leading private construction group, added FFr 8 to FFr 716 as it agreed to pay FFr 160m for control of a number of assets of Amrep, the oil services company whicb filed for hankruptcy last year.

Brussels was mixed to easier although Vieille Montagne went against the trend with a BFr 90 advance to BFr 5,330.

Stockholm was also mixed with Swedish Match SKr 1 ahead at SKr 270 as the executive vice-president was named as the new president and chief executive officer.

Against the general trend, **Milan** continued its advance with the Banca Commerciale Italiana index adding 2.23 to a record 247.44 amid heavy demand as the bourse month reached its close. **Madrid** was also ahead in quiet trading.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16½	AAR	.48	2.0	14	401	16⅞	16	16¼	+¼
30½	9⅞	AGS			10	118	14¼	13¾	13⅞	+⅛
17⅞	13⅛	AMF	.50	3.4	61	649	14⅞	14⅛	14⅝	+¼
41¼	24¼	AMR			6	8510	37½	36	37½	+1⅛
20⅞	18¼	AMR	pf2.18	11		23	19⅞	19⅝	19⅞	
41½	27½	AMR	pf2.13	5.7		186	37½	36⅞	37½	+⅞
23	19	ANR	pf2.12	10		3	20¼	20¼	20¼	+⅝
69¼	44¼	ASA	3	6.3		749	47⅝	46¾	47⅝	
28½	16	AVX	.32	1.7	11	346	18¼	16	18⅞	+½
48¾	36¾	AbtLab	1.20	2.8	13	1892	42¼	41⅛	42½	+1¼
23⅞	16½	AccoWd	n.44	1.9	19	906	22¼	21⅞	22¼	−⅝
27	12½	AcmeC	.40	2.7		46	14⅝	14¼	14⅝	+⅛
12⅞	9¼	AcmeE	.32b	3.4	13	66	9⅝	9¼	9⅞	+⅛
18¾	15	AdaEx	2.11e	13		z260	15⅞	15½	15⅝	+½
18⅞	11⅞	AdmMl	.32	2.1	8	5	15½	15½	15½	
20⅞	8⅞	AdvSys	.61t	7.6	17	497	10⅞	9⅞	10⅞	+⅞
41⅞	25¼	AMD			14	9167	32½	30¾	32¼	+1¼
13	6⅞	Advest	.12	1.4		157	9	8⅞	8⅞	+¼
14⅞	8¼	AerFlex			11	92	11¼	11⅛	11¼	
39	27¼	AetnLf	2.64	6.9	32	2985	38⅞	37¼	38¼	+⅞
58¾	52⅞	AetL	pf5.67e	11.		149	55	54½	55	
34½	15¼	Ahmns	1.20	4.3	12	1637	28	27	28	+1
5⅛	2⅝	Aileen			31	114	3⅛	2⅞	3⅛	+⅛
49⅞	36½	AirPrd	1.20	2.6	18	308	47	46½	47	+½
30½	13	AirbFrt	.60	2.9	11	121	20½	20⅛	20½	+⅛
4¼	2⅞	AlaMoa	.50e	13		451	4	3⅞	4	+⅛
31⅛	25¼	AlaP	pfA3.92	13		10	30⅝	30⅝	30½	−¼

Continued on Page 35

هكذا أصل الأصل

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7 1/4	3 3/4	ADI	n		19	47	6 1/8	5 7/8	6 1/4	+ 1/4
3 1/4	1 5/8	ADI	wt			30	2 1/4	2 1/4	2 1/4	
8 1/4	1/4	AICPh				10	1	1	1	
15 1/8	8 1/4	ALLab	n.20	1.9	10	112	10 1/2	9 3/4	10 1/2	+ 1/4
14 7/8	12	AMC	n .12	.8	12	211	u15 5/8	14 5/8	15 1/2	+ 1/4
4 1/8	2 1/8	AM	Intl			1385	3 1/4	3 1/2	3 5/8	
73	58	ATTFd	n5.52e	7.8		98	72 1/4	72 1/8	72 1/4	+ 1/4
6 1/8	2 1/4	AcmePr			29	48	4 7/8	4 1/8	4 7/8	+ 1/8
15 1/4	8 1/2	AcmeU	.32	3.2	11	74	10 1/8	9 3/4	10 1/8	+ 1/8
16 7/8	8 7/8	Action			38	71	15 1/4	14 7/8	15 1/4	+ 1/4
9 3/4	3 3/8	Acton				53	4 1/4	4 1/8	4 1/4	+ 1/8
3 5/8	1 1/2	AdmRs			3	119	2 1/8	1 7/8	2	+ 1/8
26 3/4	15 5/8	AdRusl	.14	.5	21	48	u26 5/8	26 1/4	26 1/4	
26 1/4	15	Adobe	.24	1.5	10	164	16 1/8	15 3/4	16 1/8	+ 1/4
8 7/8	4 1/2	Aeronc			7	63	6 7/8	6 3/4	6 7/8	− 1/8
26 3/4	16 1/2	AMHsp	.44	1.3	15	645	u35 3/4	34 5/8	35 1/8	+ 5/8
50 7/8	38 1/2	AlPub	.80	1.7	14	5	47	47	47	− 1/4
9 3/4	6	AirExp			9	36	7 5/8	7 1/8	7 1/2	+ 1/8
14 1/4	5 7/8	Aircal				50	7 1/2	7 1/2	7 1/2	
5 1/4	2 5/8	Alamco			7	72	3 1/4	3	3 1/8	
76 1/2	65 1/2	AlmIto	n			170	72 1/2	71 1/4	72 1/4	+ 1/4
14	8 1/4	AlbaW			9	29	8	8	8	− 1/4
4 1/8	2	AlnTre				1	2 1/8	2 1/8	2 1/8	
6 7/8	5 5/8	Alone			7	73	5 7/8	5 1/4	5 7/8	
21 1/8	9 1/2	Alphain	.05	.5	13	78	11 1/8	10 1/2	11	+ 1/8
1 5/8	1/2	Altex				1045	1 1/8	11-16	1 1/8	+ 1/8
1/4	1/4	Altex	wt			4	3-16	3-16	3-16	
22	11	AlzaCp			55	189	20 1/4	20	20 1/4	+ 1/2
20 7/8	9 1/2	Amdahl	.20	1.3	19	2450	15	14 1/4	15	+ 1/8
16 7/8	6 5/8	Amedco	.06	.6		56	9 1/4	9 1/8	9 1/4	+ 1/2
9 5/8	4	AmCap				65	8 1/4	8	8 1/2	+ 1/8
37 7/8	30	AContrl	.92a	2.4	11	8	u38 5/8	38 1/8	38 5/8	+ 1/4
27	12 1/4	AExp	wt			1187	25 1/2	25	25 1/2	− 1/4
7 7/8	5 5/8	AFruc	A			z1700	7 1/2	7 1/8	7 1/2	+ 1/8
7 1/2	6 1/8	AFruc	B			z1000	7 1/2	7 1/8	7 1/2	+ 1/8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31 1/8	22	USStl	1	3.6		4399	27 3/4	27	27 1/2	+ 1/4
58 1/4	49 1/2	USStl	pf6.49e	13		325	51 1/4	51 1/4	51 1/2	− 1/4
153 1/2	115 1/2	USStl	pr12.75	9.6		70	133 1/2	132	133 1/2	+ 1/2
31	22 7/8	USStl	pf2.25	8.0		243	28 1/4	27 3/4	28	+ 1/4
41 3/4	31 1/2	USTob	1.44	3.8	14	397	38 3/8	37 1/2	38 1/4	− 1/4
70 3/8	55 3/4	USWest	5.48	7.7	6	1217	70 1/4	69 3/4	70 1/4	+ 1/8
41 1/4	28 1/2	UnTch	s1.40	3.7	8	1983	38 1/4	37 3/4	38	+ 1/4
35 1/4	27 1/4	UTch	pf2.55	7.5		225	34	33 1/8	34	+ 1/8
23	17 1/4	Unitel	1.92	8.4	9	989	22 7/8	22 1/2	22 7/8	+ 1/8
27 7/8	21 1/2	UniT	2pf1.50	5.4		3	27 3/4	27 3/4	27 3/4	− 1/8
17	12	UWR	s1.28	7.8	9	69	16 3/8	15 7/8	16 1/2	+ 1/4
34	22	Unirde	.20	.7	10	205	29 3/4	26 3/4	29 1/2	+ 1 1/2

Continued on Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Jan. 14	Price Sch%	+ or —
Creditanstalt	887	
Goesse	337	+2
Interunfall	405	
Laenderbank	326	
Perlmooser	360	−1
Steyr-Daimler	162	−1
Veitscher Mag.	254	+1

BELGIUM/LUXEMBOURG

Jan. 14	Price Frs.	+ or —
B.B.L.	1,850	−10
Banq. Int. A. Lux	5,530	
Bekaert B	4,400	−50
Ciment CBR	3,510	−10
Cockerill	273	−3
Delhaize	6,600	
EBES	2,845	−15
Electrabel	8,210	+20
Fabrique Nat	8,105	
GB Inno BM	3,095	−5
GBL (Brux)	2,080	−5
Gevaert	3,650	
Hoboken	6,150	+10
Intercom	2,100	
Kredietbank	7,740	+30
Pan Hldgs.	9,900	
Petrofina	6,810	−90
Royale Belge	10,800	
Soc. Gen. Banq.	3,235	−88
Soc. Gen. Belge	1,840	−5
Sofina	7,490	−10
Solvay	4,140	+10
Stanwick Intl.	1,450	
Traction El.	5,850	−85
UCB	4,900	−50
Wagon Lits	2,310	

DENMARK

Jan. 14	Price Kr %	+ or —
Andelsbanken	280	+1
Baltic Skand	540	
CopHandelsbank	259	−2
D. Sukkerfab	465	−10
Danske Bank	260	−2
De Danske Luft.	1,100	+15
East Asiatic	138	
Forenede Bryg.	780	
Forenede Damp.	87	−1
GNT Hldg	352	
I.S.S.B.	345	
Jyske Bank	500	−2
Novo Ind.	1,400	−20
Privatbanken	225	−1
Provinsbanken	314	
Smidth (F)	220	
Sophus Berend	885	
Superfos	410	+3

FRANCE

Jan. 14	Price Frs.	+ or —
Emprunt 4½% 1973	1,682	−13.5
Emprunt 7% 1973	8,815	+65
Accor	230.5	−1.5
Air Liquide	570	−5
BIC	543	+1
Bongrain	1,730	−1
Bouygues	718	+8
BSN Gervais	2,440	−5
CIT-Alcatel	1,825	−15
Carrefour	1,880	+8
Club Mediter'n	1,140	+10
Cie Bancaire	600	−2
Cofimeg	288	−9.8
Damart	2,300	−140
Darty	1,105	−15
Dumez S.A.	718	
Eaux (Cie Gen)	540	−10
Elf-Aquitaine	227.8	−2.2
Essilor	2,948	+8
Gen. Occidentale	645	−10
Imetal	77.1	−1.9
Lafarge Coppee	389.3	−0.7
L'Oreal	2,365	+35
Legrand	1,076	+3
Maisons Phenix	813	−1
Matra S.A.	1,753	−6
Michelin B	780	−17
Midi (Cie)	2,120	−41
Moet-Hennessy	1,925	−7
Moulinex	81.2	+0.1
Nord Est.	80.3	+0.8
Pernod Ricard	710	+5
Perrier	482	−3.3
Petroles Fra.	257	+2
Peugeot S.A.	255	−4
Printemp.Aus.	187.9	−2.1
Radiotech	220	−1
Redoute	1,210	−5
Roussel Uclaf	1,643	−30
Sefimeg	294	−1
SkisRossignol	1,908	−1
Telemech Elect.	2,245	−15
Thomson CSF	434	−6.8
Valeo	223	

GERMANY

Jan. 14	Price Dm.	+ or —
AEG-Telef.	104.8	−2.2
Allianz Vers	1069	−6
BASF	183	−0.8
Bayer	181	−1.5
Bayer-Hypo	324.5	−8.5
Bayer-Verein	334.5	−3.8
BHF-Bank	277.5	−8
BMW	381	−2.5
Brown Boveri	200.8	
Commerzbank	169.7	−3.5
Cont'l. Gummi	119.2	+0.2
Daimler-Benz	613	−1.6
Degussa	330	−1
D'sche Babcock	153	−4.5
Deutsche Bank	382	−4.5
Dresdner Bank	190.5	−3.3
GHH	161	−4.5
Hochtief	485	−8
Hoechst	185	−0.7
Hoesch Werke	98.8	−0.4
Holzmann (P)	389.6	−0.5
Horten	182	+3
Hussel	302	
Karstadt	240	−1.5
Kaufhof	225	−8
KHD	986.5	+2
Kloeckner	74.5	−0.6
Linde	305	−5
Lufthansa	191.5	−1
MAN	160	+0.7
Mannesmann	183.8	−2.7
Mercedes Hld.	541.5	−7
Metallgesell	217	−1.5
Muench Rueck	1248	+48
Nixdorf	682	−5
Porsche	1082	−8
Preussag	254	−0.5
Rhein West Elect	168.7	−0.1
Rosenthal	248	+1
Schering	453	−1
Siemens	486.6	−6.8
Thyssen	83.3	−0.7
Varta	173.7	−1.3
Veba	174.2	−0.3
V.E.W.	124	−0.7
Verein-West	305	
Volkswagen	205	−1.5

ITALY

Jan. 14	Price Lire	+ or —
Banca Com'le	18,090	+880
Bastogi-IRBS	185	−8.25
Centrale	2,445	−33
Credito Varesino	4,861	−28
Fiat	2,887	+37
Finsider	50	−7
Generali Assicur.	36,800	+305
Invest	2,926	
Italcementi	76,000	+2500
La Rinascente	665	
Montedison	1,374	+3
Olivetti	8,194	+174
Pirelli Co.	3,645	+17
Pirelli Spa	8,061	+51
Snia BPD	3,160	+43
Toro Assic.	13,745	−5
do. Pref	10,740	−0d

NETHERLANDS

Jan. 14	Price Fls	+ or —
ACF Holding	103	−1
AEGON	157.5	−2.5
Ahold	203	−2.5
AKZO	99.2	−1.8
ABN	374	−7
AMEV	223.7	−3.8
AMRO	71	−1.5
Bredero Cert.	156	+2
Bos Kalis Westm.	12.8	
Buehrmann-Tet.	80.6	−0.2
Calland Hldgs.	32.2	−0.3
Dordtsche Pet'm	158.3	+0.3
Elsevier-NDU	119	−1.6
Fokker	62	−1
Gist Brocades	174.5	−1
Heineken	148.1	−2.7
Hoogovens	62.8	−0.6
Int Mueller	42.8	
KLM	47.6xc	−0.1
Naarden	47.9	+0.1
Nat Ned Cert	273.5	−0.5
Ned M d Bank	154	−5.5
Nedlloyd	153.8	−1.3
Oce Grinten	282	
Ommeren (Van)	28.3	−0.2
Pakhoed	73.5	−0.8
Philips	56.3	−0.7
Robeco	70.4	−0.2
Rodamco	136.7	
Rolinco	64	
Rorento	43.9	−0.1
Royal Dutch	174.4	+0.8
Unilever	323	−1
VMF Stork	195	
VNU	214.1	−9.4
West Utr Bank	112	−8

NORWAY

Jan. 14	Price Kroner	+ or —
Bergens Bank	168	+0.5
Borregaard	388.5	+8.5
Christiania Bank	169	+5.8
DenNorskeCred	171	+3
Elkem	126	−1
Kvaerner	173	
Norsk Data	387.5	
Norsk Hydro	104	−3
Storebrand	838	+8

SPAIN

Jan. 14	Price Pts%	+ or —
Bco Bilbao	313	
Bco Central	310	
Bco Exterior	201	−2
Bco Hispano	170	−2
Bco Popular	388	−1
Bco Santander	333	
Dragados	174.5	+0.5
Hidrola	84.7	−1
Iberduero	88.7	−9
Petroleos	160.8	+8
Telefonica	104.5	+1.5

SWEDEN

Jan. 14	Price Kronor	+ or —
AGA	368	
Alfa-Laval	803	+2
ASEA (Free)	360	
Astra (Free)	395	
Atlas Copco	112	
Cardo (Free)	285	+1
Cellulosa	131	−1
Electrolux B	285	−3
Ericsson	273	−1
Esselte	305	
Mo Och Domsjo	803	−6
Pharmacia	210	
Saab Scania Free	450	+20
Sandvik	390	
Skandia	275	+10
Skan Enskilda	61	+1.5
SKF	187	
St Kopparberg	171	+1
Sven Handlesbn	802	+2
Swedish Match	270	−1
Volvo B (Free)	236	+1

SWITZERLAND

Jan. 14	Price Frs.	+ or —
Alusuisse	765	+18
Bank Leu	3,840	−10
Brown Boveri	1,455	−35
Ciba Geigy	2,585	−5
do. (Part Certs)	2,120	+10
Credit Suisse	2,370	−15
Elektrowatt	2,760	+10
Fischer (Geo.)	620	
Hoff-RochePtCts	90,250	−250
Hoff-Roche 1/10	9,050	−25
Jacobs Suchard	6,550	+50
Jelmoli	1,090	+20
Landis & Gyr	1,660	+10
Nestle	6,870	
Oer-Buehrle	1,315	−5
Pirelli	268	−1
Sandoz (Br)	7,500	+100
Sandoz (PtCts)	1,190	−5
Schindler (PtCts)	645	−10
Sika	1,115	−5
Surveillance	4,075	+20
Swissair	1,095	+15
Swiss Bank	364	+1
Swiss Reinsce	9,200	+100
Swiss Volksbk	1,490	−5
Union Bank	3,685	+10
Winterthur	3,530	
Zurich Ins.	18,900	

AUSTRALIA

Jan. 14	Price Aust $	+ or —
ANZ Group	5.2	+0.08
Alliance Oil Dev.	1.05	
Ampol Pet.	1.76	+0.01
Ashton	0.8	
Aust Cons Ind.	1.07	
Aust. Guarantee	2.62	+0.02
Aust. Nat. Inds	2.4	+0.05
Aust. Paper	3.32	+0.02
Bell Group	4.85	+0.06
Bell Res.	4.35	
Bond Corp Hldgs	1.17	+0.01
Boral	3.2	
Bougainville	1.69	+0.02
Brambles Inds.	3.65	+0.1
Bridge Oil	3.27	+0.02
B.H. Prop.	5.16	+0.1
CRA	4.98	−0.02
CSR	2.91	+0.08
Carlton Utd.	4.30	
Castlemaine Tys.	4.8	+0.02
Coles (G.J.)	3.88	+0.01
Comalco "A"	2.1	
Consolidated Pet	0.48	−0.01
Costain Aust	1.3	
Dunlop Aust.	1.96	+0.06
Elders IXL	3.08xc	
Energ. Res.	1.4	−0.01

AUSTRALIA (continued)

Jan. 14	Price Aust. $	+ or —
Gen Prop Trust	2.12	+0.01
Hardie (James)	3	+0.02
Hartogen Energy	2.25	
Herald W'yTimes	3.7	
ICI Aust.	2.08	−0.02
Jimberlana F.P.	0.3	
Kia Ora Gold	0.11	
Lend Lease	5.4	+0.04
MIM	2.4	−0.04
Mayne Nickless	2.98	+0.01
Myer Emporium	1.78	
Nat. Aust. Bank.	3.65	
News	10.9	
Nicholas Kiwi	6.18	
North Bkn Hill	2.02	+0.01
Oakbridge	0.88	−0.03
Pancont'l	0.92	+0.01
Pioneer Conc.	1.69	
Poseidon	2.7	−0.05
Queensland Coal	1.12	+0.02
Reckitt & Coln.	3.07	−0.05
Repco	1.12	+0.02
Santos	6.3	−0.1
Smith (Howard)	3.45	+0.05
Thos. Nationwide	1.81	+0.01
Tooth	6.8	
Vamgas	3.05	−0.05
Western Mining	2.78	
Westpac Bank.	3.44xc	−0.01
Woodside Petrol.	0.82	−0.03
Woolworths	2.65	+0.03
Wormald Intl	3.2	+0.05

HONG KONG

Jan. 14	Price H.K.$	+ or —
Bank East Asia	25.4	−0.1
Cheung Kong	13.2	−0.1
China Light	14.8	−0.2
Evergo	1.47	−0.01
Hang Seng Bank	47.75	−0.25
HK Electric	7.3	+0.05
HK Kowloon Wh.	6.88	+0.05
HK Land	4.5	+0.3
HK Shanghai Bk.	9.05	−0.25
HK Telephone	56.5	−0.5
Hutchison Wpa.	19.4	
Jardine Math.	9.7	+0.4
New World Dev.	6.25	+0.06
Orient O'seas	2.75	
Oseas Trust Bk.	2.0	
SHK Props	8.9	+0.18
Shell Elect.	2	+0.02
Swire Pac A	23.6	+0.6
TV—B	6	+0.3
Wheel'k Mard A.	4.22	+0.02
Wheel'k M'time	1.14	
World Int. Hldgs.	1.08	−0.02

JAPAN

Jan. 14	Price Yen	+ or —
Ajinomoto	1,110	−20
Alps Electric	2,040	+20
Amada	1,170	+30
Asahi Chem.	715	+5
Asahi Glass	917	+12
Bridgestone	540	−4
Canon	1,400	−10
Casio Comp.	1,840	
Chugai Pharm.	1,060	+10
Citizen	570	+17
Daiei	626	
Dai Nippon Ptg	980	−1
Daiwa House	566	−14
Ebara	329	−4
Eisai	1,440	
Fanuc	11,100	−150
Fuji Bank	1,310	
Fuji Film	1,700	−10
Fujisawa	1,050	−20
Fujitsu	1,360	−40
Green Cross	1,730	+50
Hasegawa	367	+2
Heiwa Real Est.	635	
Hitachi	670	−10
Hitachi Credit	1,150	−30
Honda	1,280	−10
House Food	720	+20
Hoya	2,130	−10
Itoh (C)	366	−10
Ito. Yokado	2,580	+10
Iwatsu	1,450	+50
JACCS	335	+8
JAL	5,350	−60
Jusco	736	−0
Kajima	281	−2
Kao Soap	863	−2
Kashiyama	618	+2
Kirin	572	+12
Kokuyo	970	−17
Komatsu	479	+8
Konishiroku	700	+30
Kubota	335	+13
Kumagai	624	+10
Kyoto Ceramic	6,850	+40
Maeda Const.	475	+9
Makino Milling	1,230	+30
Makita	1,040	−10
Marubeni	320	−0
Marudai	670	
Marui	1,080	+10
MEI	1,370	−30
M'ta Elec Works	631	−20
M'bishi Bank	1,380	
M'bishi	667	−6
M'bishi Elec.	407	+2
M'bishi Estate	685	+4

JAPAN (continued)

Jan. 14	Price Yen	+ or —
MHI	253	−1
Mitsui Co.	350	−2
Mitsui Estate	710	
Mitsukoshi	389	−1
NGK Insulators	551	−0
Nihon Cement	217	
Nippon Denso	1,340	
Nippon Elect.	1,220	−20
Nippon Express	345	−5
Nippon Gakki	1,470	
Nippon Kokan	139	−1
Nippon Oil	885	−5
Nippon Seiko	667	−7
Nippon Shimpan	698	−14
Nippon Steel	153	
Nippon Suisan	340	+9
NTV	13,000	−400
Nippon Yusen	259	−3
Nissan Motor	602	−9
Nisshin Flour	475	
Nisshin Steel	174	−1
Nomura	949	−12
Olympus	1,180	−20
Orient Leasing	3,300	
Pioneer	2,010	−20
Renown	636	−4
Ricoh	968	+1
Sankyo	672	−36
Sanyo Elect.	465	−3
Sapporo	411	+4
Sekisui Prefab	856	−4
Seven-Eleven	8,900	−100
Sharp	1,080	−20
Shimadzu	821	−19
Shionogi	690	+4
Shiseido	1,130	
Sony	3,790	−90
Stanley	870	−16
S'tomo Bank	1,760	
S'tomo Elect	942	+6
S'tomo Marine	642	+15
S'tomo Metal	151	−1
Taihei Dengyo	800	
Taisei Corp	200	
Taisho Pharm.	1,010	+30
Takeda	779	−6
TDK	5,230	+30
Teijin	463	+4
Teikoku	685	+13
Tokyo Marine	785	
TBS	838	−3
Tokyo Elect Pwr	1,670	−10
Tokyo Gas	179	
Tokyo Sanyo	734	−4
Tokyo Style	722	−8
Tokyu Corp.	317	+1
Toppan Print	881	−11
Toray	452	
Toshiba Elect.	425	−10
TOTO	730	−4
Toyo Seikan	890	−10
Toyota Motor	1,260	+10
Victor	2,050	−80
Wacoal	734	+3
Yamaha	893	−5
Yamanouchi	2,750	−10
Yamazaki	670	−25
Yasuda Fire	315	
Yokogawa Bdge.	444	−1

SINGAPORE

Jan. 14	Price $	+ or —
Boustead Hldgs.	1.54	−0.02
Cold Storage	2.53	
DBS	6.2xa	−0.05
Genting	4.74	+0.04
Haw Par. Bros.	1.95	−0.02
Hong Leong Fin.	3.02	−0.14
Inchcape Bhd.	2.48	−0.04
Keppel Shipyard	1.44	−0.01
Malay Banking	8.4	−0.05
Malay Utd. Ind.	2.32	−0.02
Multi Purpose	0.95	+0.05
OCBC	8.75	
OUB	3.8	+0.02
Public Bank	1.65	−0.01
Sime Darby	1.69	+0.02
Singapore Press	5.9	−0.1
Straits Trdg.	4.3	−0.08
Tat Lee Bk.	2.8	
UOB	4.16	−0.02

SOUTH AFRICA

Jan. 14	Price Rand	+ or —
Abercom	1.15	−0.05
AE&CI	7.55	
Anglo Am Coal	40	
Anglo Am Corp.	24.75	+0.6
Anglo Am Gold	181	+2.5
Barclays Bank	15.25	−0.25
Barlow Rand	10.2	−0.05
Buffels	72.75	+0.75
CNA Gallo	2	−0.2
Currie Finance	4.2	
De Beers	8.7	+0.2
Driefontein	54	+1
FS Geduld	49.5	−0.5
Gold Fields SA	47.5	+0.25
Highveld Steel	5.85	
Nedbank	11.3	
OK Bazaars	13.9	−0.1
Protea Hldgs	14	+0.5
Rembrandt	30	+0.25
Rennies	12.9	−1.25
Rust Plat	16.5	+0.2
Sage Hldgs	6.0	−0.4
SA Brews	6.55	
Smith (CG)	21.5	
Tongaat Hulett	6.5	
Unisec	4.6	−0.2

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

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Continued on Page 44

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Gates (Frank G)	92	+8
Pentland Inds	383	+20
Ryan Hotels	34½	+2¾

FALLS

Tr 11¼ 89	£96⅞	−£1⅛
Tr 13½ 04/08	£124¼	−£1⅞
Tr 2½ I L 16	£92¼	−£1⅞
Acorn Computer	55	−5
BPB Inds	255	−13
BTR	590	−27
Boots	182	−9
Brit Aerospace	368	−15
BP	474	−9
Burton	433	−13
Ch J. Rothschild	106	−10
Fisons	273	−17
GEC	208	−8
Grand Met	290	−13
Hanson Trust	322	−11
Imperial Group	191	−7
Jaguar	272	−7
Land Securities	290	−8
Legal & General	555	−15
Lloyds Bank	522	−20
MFI Furniture	247	−14
Microvitec	73	−10
Pineapple Dance	82	−18
Redland	278	−12
R Bk of Scotland	228	−22
Tesco	232	−10
Thorn EMI	430	−12

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 35

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CANADA

TORONTO
Closing prices January 14

Sales	Stock	High	Low	Close	Chng
125	Abti Price	$33½	33½	33½	+½
210	Canron A	$12	12	12	
4400	Crowx	$15¼	15	15¼	+¼
25600	Czar Res	137	130	137	+1
77011	Daon Dev	235	230	232	−4
505	Daon A	260	260	260	−10
2260	Denison A	$16¼	16	16	
9526	Labatt	$22	21½	21⅞	
6021	Lac Mnrls	$25⅞	25½	25½	−½
1100	LOnt Cem	$10	9¾	10	
850	Lacana	$10⅛	9⅞	9⅞	−⅛
700	LL Lac	$27½	26½	27½	+½
33450	Stelco A	$21	20⅞	21	
1800	Sulpetro	260	260	260	−5
1000	Steep R	220	220	220	+10
78500	Sydney o	35	28	28	−7
1000	Teck Cor A	$10	9⅞	9⅞	−⅛

[illegible]

MONTREAL
Closing prices January 14

[illegible]

NEW YORK STOCK EXCHANGE CLOSING PRICES

Continued from Page 35

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Stock values slump as base rates rise for second time in two trading sessions

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 24	Jan 10	Jan 11	Jan 21
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Stock values suffered their worst fall since mid-October as base lending rates shot up to 12 per cent yesterday, a rise of 2½ percentage points in just two trading days. Short-dated Government securities tumbled over 2½ points and the FT-SE 100 share index sustained one of its biggest-ever losses in closing 28.1 down at 1,220.5. The FT Ordinary share index came back 19 points to 949.3.

Weekend reports that the authorities were ready to accept higher interest rates in order to defend sterling quickly became reality. The Bank of England surprised markets by reviving Minimum Lending Rate, the yardstick last used in August 1981. This immediately sent money market levels higher and in turn forced the clearing banks to increase their borrowing charges.

Bond and share prices came under pressure immediately with Gilt-edged stocks bearing the brunt of the selling. Several attempts to rally were made but each was eventually thwarted by fresh liquidation which left quotations at the lowest. To cap a thoroughly depressing session, the authorities announced new Government funding just after the official 3.30 pm close. £800m of Exchequer 10½ per cent 2005, at £98, has been made available to the market from tomorrow at a partly-paid price of £40.

When Gilt-edged dealings resumed after the customary recess, the market continued to trade nervously and longer-dated stocks closed with falls stretching to 1¾ points. The shorts were just as weak with losses extending to 1½ points, while index-linked issues gave up 1¼ points or so.

Equities followed the downturn but there was little sign of any panic selling, although profit-taking was a factor in certain areas of the market. Stores and consumer-related issues, which led the recent advance, came back swiftly, while Building and Property shares were also hit. Around one-third of the constituents of the FT Ordinary share index displayed double-figure losses and only one recorded a rise.

This was in P & O following details of the proposed merger with Sterling Guarantee Trust. Both returned from last week's suspension and the former surged ahead in heavy trading to 380p, after 395p, compared with the suspension level of 325p. The movement helped to reduce the fall in the index by some five points. SGT opened easier at 68p, against the suspension price of 74p, but rallied to 77p before settling at 72p.

The major clearing banks encountered selling as a result of the further sharp increase in base lending rates. Lloyds, 20 down at 522p, led the retreat, while NatWest cheapened 15 to 592p. Barclays gave up 10 to 568p as did Midland to 337p. Elsewhere, dealings in Royal Bank of Scotland and Charterhouse J. Rothschild were resumed at 9.30 am following confirmation of the deal, whereby RBS is to acquire the Charterhouse Japhet merchant banking arm and some associated development capital companies from CJR; Royal Bank, which is financing the deal via a rights issue, opened at 238p compared with the suspension price of 250p and drifted steadily down to close at 228p, while CJR ended 10 lower than the suspended level at 106p. Higher interest rates unsettled Discount Houses.

Recently firm on takeover speculation, Life issues took a distinct turn for the worse in Insurances. Double-figure falls were commonplace with Sun Life closing 16 easier at 757p and Britannic 17 off at 618p.

Electrical wholesale equipment suppliers Bennett and Fountain staged a satisfactory debut in the Unlisted Securities Market despite the surrounding gloom; placed at 10p, the shares opened at 12p and touched 13p prior to closing at 12½p.

Breweries closed at around the day's lowest levels, although selling was by no means heavy. Bass fared worse with a decline of 13 to 480p, while Allied-Lyons, 153p, and Whitbread "A," 213p, gave up 7 and 5 respectively. Arthur Guinness, a penny cheaper at 229p, held up well in front of today's preliminary results. Among Regionals, Matthew Brown, 15 off at 295p, reflected disappointment over the absence of bid developments. Wines and Spirits were friendless with losses of 8 common to Distillers, 289p, and Arthur Bell, 150p.

Leading Buildings opened easier and weakened further in the face of some fairly persistent selling to close at the day's lowest. Double figure falls were commonplace with Tarmac closing 16 down at 498p and RMC finishing 12 off at 376p. Redland gave up 12 to 278p and Blue Circle shed 10 to 468p, while BPB Industries lost 13 to 255p. Elsewhere, clay and concrete concern H. J. Baldwin provided an isolated bright spot, rising 8 to 38p in a limited market.

ICI remained resilient helped by U.S. support and the close was just a couple of pence easier on balance at 746p.

Stores sharply lower

The prospect of a rise in mortgage rates and consequent reduction in disposable income prompted heavy losses among Stores. Most of the selling was confined to the morning session, however, and prices steadied later. Double-figure falls were commonplace with Gussies "A," 680p, Woolworth, 593p, and Burton, 433p, around 15 down, while losses of 2 were seen in Marks and Spencer, 116p, and House of Fraser, 310p. Similar conditions prevailed among second-line Stores where Dixons shed 17 to 532p, after 530p, ahead of Thursday's half-timer; Currys eased 10 to 594p in sympathy. MFI, also due to reveal interim results on Thursday, gave up 14 at 247p, while Harris Queensway dipped 12 to 212p. Recent speculative favourite Home Charm fell 11 to 272p, J. Hepworth 10 to 160p and Vantona Viyella 5 to 279p. Newsagents lacked support with W. H. Smith "A" 8 off at 160p; John Menzies, 233p, and NSS, 100p, gave up 7 and 4 respectively. A few bright spots emerged, however, in Waring and Gillow, 3 up at 119p, following "call" option business. W.W. improved 8 to 152p, and Foster Brothers Clothing added 6 at 112p.

Leading Electricals succumbed to selling. Thorn EMI, still reflecting the disappointing half-year figures, dropped 12 more to 430p xd. British Telecom, however, were relatively steady and closed only a couple of pence easier at 118p. Elsewhere, Acorn Computer fell 5 to 55p, after 53p, following adverse comment, while Microvitec declined 10 to 73p for the same reason. Falls of 16 and 25 respectively were seen in UEI, 170p, and AB Electronics, 507p. Multitone reacted 7 more to 73p on further consideration of the poor half-year figures. By way of contrast, Cray Electronics rose 5 to 220p in response to the interim profits upsurge.

Leading Engineers followed the downturn. Recently sustained by bid speculation, TI came under selling pressure and fell to 232p before staging a small rally to close 8 down on balance at 236p. GKN gave up a similar amount at 194p, while Hawker fell 7 to 425p and Vickers 5 to 219p. Against the trend, C. H. Bailey "B" were again bought and closed 10 higher at 158p.

The Food sector displayed widespread falls, particularly Retailers, which came under pressure on worries that higher interest rates could hit consumer spending. J. Sainsbury fell 10 to 286p, as did Tesco, to 232p. Argyll lost 13 to 265p and Dee gave up 6 to 199p. Elsewhere, Cadbury Schweppes lost 4 to 161p, but Rowntree Mackintosh attracted speculative buying initially and touched 378p prior to drifting back to close unchanged at 372p. Tate and Lyle dipped to 465p before late support left the close unaltered at 470p. United Biscuits, however, gave up 5 to 209p and Ranks Hovis McDougall shed the same amount to 130p. S. & W. Berisford lost 6 to 179p; the annual results are due on Thursday. Against the trend, Normans gained 3 to 79½p on takeover hopes, while buying in front of tomorrow's preliminary results lifted Glass Glover 8 to 300p.

Ryan Hotels gained 2½ to 24½p on hopes of a bid from Belhaven.

BTR weaken

Large losses were fairly commonplace among the miscellaneous industrial leaders. Recent favourites were particularly hard hit, BTR falling 27 to 590p and Hanson Trust 11 to 322p. Powell Duffryn fell to 420p in sympathy with the latter. Boots, down another 9 at 182p, suffered another shakeout in sympathy with the Store sector amid fears about the impact of dearer credit on consumer spending. Reckitt and Colman gave up 12 at 520p, while losses of 8 were recorded in Metal Box, 390p, and Reed International, 544p. Elsewhere in the sector the falls were relatively modest, although British Aerospace were particularly dull at 368p, down 15, along with Fisons, which fell 17 to 273p. Scapa, a good market of late on favourable Press mention, ran back 10 to 466p, while F.H. Tomkins, a rising market since last week's interim figures, lost 6 at 151p. Against the trend, continued demand in a limited market lifted Pentland to a fresh 1984/85 peak of 383p.

Reports of a slump in business hit Pineapple Dance Studios and the price fell away to close 16 down at 62p.

Motor proved to be relatively resilient to the widespread shake-out. Jaguar remained lively and closed off the bottom at 272p, a fall of 7. Group Lotus, on the other hand, hardened 3 to 71p following news that its domestic registrations were up 43 per cent in 1984. In Distributors, Frank G. Gates rose 8 to 92p following the intimated offer from Carroll Motor. Jessups firmed a couple of pence to 64p after Press comment.

The latest round of base rate increases prompted a further shake-out in the Property sector and the leaders fell quite sharply before staging a minor rally late in the day. Land Securities closed 8 down at 290p, after 288p, and MEPC 10 lower at 302p, after 300p. Elsewhere, Stock Conversion, a firm counter recently on hopes of a bid from British Land, came under selling pressure and fell 12 to 413p; the interim results are due on Thursday. Control Securities lost a penny to 38p despite increased interim profits. Dealings in Espley Trust resumed at 13p, with a close of 15p, compared with the suspension price of 10p, following news that winding up petitions against the company had been withdrawn.

In Textiles, favourable comment lifted Hugh Mackay 5 to 82p, after 84p, and Albion 2 to 21p.

The British Heart Foundation's decision to divest itself of its holding in Grand Metropolitan owing to the latter's interests in the tobacco industry prompted initial weakness in the sector. Prices later regained some composure but still retained sizeable losses with Imperial, due to announce interim results next month, down 7 at 191p. Bats fell 10 to 348p, after 345p, while Grand Metropolitan closed 13 off at 290p.

Oils decline

Oil shares remained under a cloud despite the continuing firmness in crude oil spot markets which again made progress influenced by the bad weather throughout Europe.

The leading issues opened lower and gradually gave ground throughout the session to close around the day's lowest levels. Royal Dutch were a lone firm spot in the top quality stocks and rose ¼ more to a 1984/85 high of £43¼ reflecting the latest decline in sterling, but BP were persistently sold and settled 9 off at 474p. Current takeover favourite Burmah Oil ran back 6 to 225p despite favourable weekend Press comment.

Golds lose ground

South African sectors of mining markets opened on a relatively steady note but subsequently fell away following renewed weakness in the Rand rate. This prompted persistent selling from Cape operators. Weakness in the bullion price, which dipped below the $300 level during the early afternoon, and the continuing strength of the dollar remained the prime factors affecting both the South African exchange rate and the tone in bullion markets.

Apart from the South African selling, overseas interest in Golds remained at a low level and the 8.4 decline to 465.8 in the Gold Mines index was exaggerated by the mines in the Rand Mines, Anglo Vaal and Gold Fields groups' going "ex" the December dividend payments.

Sterling's renewed weakness provided a cushion for Australian issues but interest in the sector was subdued by easier precious metal prices. In the leaders, CRA were given a mild boost by favourable Press comment and hardened a couple of pence to 364p.

Demand for Traded Options remained buoyant with 12,376 contracts struck. Last week's daily average amounted to 15,380. British Telecom attracted the lion's share with 2,038 calls struck, 592 in the February 120's, and 852 puts. Imperial Group and Jaguar attracted 500 and 534 respectively, while news of the proposed merger produced 531 calls in P & O Defd. The FT-SE 100 accounted for 414 calls and 1,821 puts. The new short Gilt contract traded in lively fashion with 269 calls and 411 puts done.

FINANCIAL TIMES STOCK INDICES

	Jan. 14	Jan. 11	Jan. 10	Jan. 9	Jan. 8	Jan. 7	year ago
Government Secs.	79.91	20.25	21.55	21.83	81.49	80.22	83.35
Fixed Interest	84.18	85.17	85.30	25.32	85.22	25.07	87.16
Ordinary	949.3	968.3	882.4	983.1	271.2	250.7	213.7
Gold Mines	405.8	474.2	462.7	451.5	455.2	445.5	548.2
Ord. Div. Yield	4.55	4.47	4.43	4.41	4.45	4.52	4.38
Earnings, Yld.% (full)	11.50	11.38	11.25	11.21	11.33	11.51	9.14
P/E Ratio (net) (*)	10.42	110.59	10.68	10.71	10.60	10.44	13.37
Total bargains (Est.)	32,775	34,875	32,056	28,155	25,657	24,269	31,027
Equity turnover £m.	..	558.95	605.57	645.10	500.45	556.86	314.53
Equity bargains	—	32,822	33,438	28,331	85,730	23,720	27,147
Shares traded (ml)	—	300.0	331.3	302.6	263.4	122.0	120.8

10 am 956.8. 11 am 957.4. Noon 952.3. 1 pm 951.3. 2 pm 949.9. 3 pm 950.6.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.08.

† Corrected.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	88.77 (18/1/84)	75.78 (30/7/84)	127.4 (9/1/35)	42.12 (5/1/75)
Fixed Int.	87.48 (14/5/84)	80.43 (30/7/84)	150.4 (28/11/47)	60.55 (3/1/75)
Ordinary	983.1 (18/1/89)	755.3 (23/7/84)	883.1 (9/1/85)	42.4 (26/6/40)
Gold Mines	711.7 (18/5/84)	445.3 (7/1/85)	734.7 (15/2/83)	43.5 (25/10/71)

S.E. ACTIVITY

	Jan. 11	Jan. 10
Daily		
Gilt Edged Bargains	158.1	158.0
Equities Bargains	213.3	816.7
Value	1129.8	1284.0
5-day Average		
Gilt Edged Bargains	152.5	147.3
Equities Bargains	186.8	171.7
Value	1077.9	698.0

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Jan 14 1985

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

NEW HIGHS AND LOWS FOR 1984/85

NEW HIGHS (91)

[illegible]

NEW LOWS (43)

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7
Feb 4	Feb 15	May 9	May 20

For rate indications see end of Share Information Service

Stocks favoured for the call included British Telecom, Polly Peck, Falcon Resources, Ryan Hotels, J. Hepworth, Jardine Matheson, Don Brothers Buist, Flogas, Whessoe, Burmah Oil, Waring and Gillow, Arrow Chemicals, Premier Oil, London Investment Trust, Combined Technologies, Anvil Petroleum, C. H. Bailey, Midland Bank, Atlantic Resources and Barratt Developments. A put was done in Britoil, and a double was transacted in Mersey Docks.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Burton	433	−13
Chart. J. Rothschild	106	−10
Falcon Resources	280	−10
GUS "A"	680	−15
Hanson Trust	322	−11
Harris Queensway	212	−12
Imperial Group	191	−7
Jaguar	272	−7
Legal and General	535	−15
MFI Furniture	247	−14
Marks and Spencer	110	−6
P. & O. Deferred	380	—

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Falcon Res	54	290	+37
Comm Union	31	198	−6
Hanson Trust	25	335	−2
Thorn EMI	25	447	−18
Cable & Wire	24	484	−20
BAT Inds	22	358	−2
Birmid Qualcast	22	89	+1½
Rowntree Mack	22	372	+2
Boots	21	191	−7
MFI Furniture	21	261	−14
BTR	20	617	−5
Marks & Spen	20	122	−5
TI	20	244	−2
Trusthse. Forte	20	153	−5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	105	0
Corpns. Dom. and Foreign Bonds	0	54	19
Industrials	185	609	650
Financial and Props.	64	234	246
Oils	22	29	73
Plantations	5	3	2
Mines	29	54	95
Others	54	85	72
Totals	359	1,173	1,164

LONDON TRADED OPTIONS

[illegible]

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105¼	100¼	Treas. 15pc 1985	100¼	−¾	14.98	12.45
102¾	99½	Exch. 12pc Cnv '85	99½	−¼	12.01	12.14
97¼	93½	Treas 3pc 1985	97¼	−½	3.09	10.87
102⅞	99½	Treas 11½pc 1985	99⅞xd	−½	11.52	11.85
99¼	96½	Treas 8¾pcCnv '85	98	−½	8.93	12.02
104½	99⅝	Exch. 12¼pc 1985	100⅜	−⅛	12.21	11.69
103½	99½	Exch. 11¾pc '86	99½	−⅛	13.76	11.70
102½	96½	Treas. 10pcCnv 1986	97⅞	−1	18.22	11.84
93¼	88¼	Treas 3pc 1986	92½	−½	3.24	8.70
102	96¼	Exch. 10½pc Cv '86	98½	−½	10.66	10.67
104½	99½	Treas 12pc 1986	100½	−⅝	11.95	11.38
98¼	93⅛	Treas 8½pc 1984-86‡‡	95⅞	−⅞	8.07	11.63
108½	102½	Exch 14pc 1986	103½	−1⅛	13.53	11.71
89½	85	Exch 2½pc 1986	88⅞	−⅝	2.82	9.16
107½	100½	Exch. 13¼pc 1987	102⅝xd	−1⅛	12.92	11.75
100⅞	94½	Treas 10¼pcCv '87	97⅝xd	−1⅛	10.50	11.58
87¼	83⅛	Exch 2½pc 1987	85¼	−⅞	2.92	10.14
101½	94½	Exch. 10½pc 1987	97⅝	−1⅛	10.76	11.70
92¼	87	Funding 6½pc '85-87‡‡	90½	−1	7.20	11.39
99⅝	92½	Treas 10pc 1987	96½	−1⅛	10.36	11.68
86⅝	81½	Treas 3pc 1987	84½xd	−1	3.55	10.17
105	97¼	Treas 12pc 1987	100⅝	−1⅛	11.93	11.69
94⅞	87½	Treas 7¾pc 1985-88‡‡	91⅝xd	−¼	8.46	11.08
100¼	92½	Exch 10½pc '88	96⅝	−1⅛	10.87	11.76
98½	89½	Treas 9¼pc Cv '88	94⅝	−1	10.31	11.71
82½	77	Transport 3pc '78-88	81¼	−¼	3.70	9.53
96½	88½	Treas 9½pc '88	92⅞	−1½	10.23	11.88
106¼	94½	Treas 11½pc 1989	98½	−1½	11.68	11.95
96½	87½	Treas 9½pc Cnv. '89	92½	−1½	10.27	11.76
99⅝	90½	Treas 10½pc 1989	95⅞	−1½	10.96	11.73
100½	88⅞	Exch. 10pc 1989	94½xd	−1½	10.64	11.73
101½	94¼	Exch 11pc 1989	97½	−1½	11.34	11.80
85⅝	77½	Treas 5pc 1986-89	80¼	−⅝	6.23	10.37

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COM'WEALTH & AFRICAN LNS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا اصله الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

MINES—Continued

Diamond and Platinum

[illegible]

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▮ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	.....	Arnott	145	.....
Craig & Rose £1	£11½	.....	GPI Hldgs	52½	.....
Finlay Pkg. 5p	44	.....	Carrol Inds.	100	.....
Higsons Brew	95	.....	Dublin Gas	65	.....
Holt (Jos) 25p	850	−10	Hall (R. & H.)	44	.....
IoM Stm. £1	127	−3	Heiton Hldgs.	16½	−½
IRISH			Irish Ropes	32	.....
Exch. 12% 1985	£99	.....	Jacob (W. & R.)	62	.....
Nat. 9¾% 84/89	£84	.....	TMG	72	.....
Fin. 13% 97/02	£89⅝	.....	Unidare	78	.....

OPTIONS — 3-month call rates

Industrials	p	Hanson Tst.	22	Vickers	18
Allied-Lyons	15	Hawker Sidd	38		
BAT	30	Hse of Fraser	70	Property	
BOC Grp.	24	ICI	58	Brit Land	14
BSR	15	"Imps"	14	Cap Counties	18
Babcock	13	Jaguar	18	Land Secs	24
Barclays Bank	42	Ladbroke	20	MEPC	30
Beecham	30	Legal & Gen	42	Peachey	24
Blue Circle	46	Lex Service	32	Samuel Props	14
Boots	18	Lloyds Bank	42	Sterling Guar.	5½
Bowaters	16	Lucas Inds.	24		
Brit Aerospace	34	Marks & Spcr	10		
Brit. Telecom	7½	Midland Bk	33	Oils	
Brown (J.)	5	NEI	9	Brit. Oil & Min.	4½
Burton Ord	32	Nat West Bk.	54	Brit Petroleum	38
Cadburys	14	P & O Dfd	24	Burmah Oil	19
Comm Union	15	Plessey	70	Charterhall	4
Courtaulds	11	Polly Peck	23	Premier	4
Debenhams	19	Racal Elect	24	Shell	55
Distillers	24	RHM	10	Tricentrol	22
Dunlop	5	Rank Org Ord.	24	Ultramar	22
FNFC	7	Reed Intnl	50		
Gen Accident	42	Sears	7	Mines	
Gen Electric	20	TI	18	Charter Cons.	23
Glaxo	90	Tesco	8	Cons Gold	42
Grand Met.	26	Thorn EMI	42	Lonrho	14
GUS 'A'	55	Trust Houses	12	Rio T Zinc	65
Guardian	58	Turner Newall	9		
GKN	16	Unilever	80		

A selection of Options traded is given on the London Stock Exchange Report page.

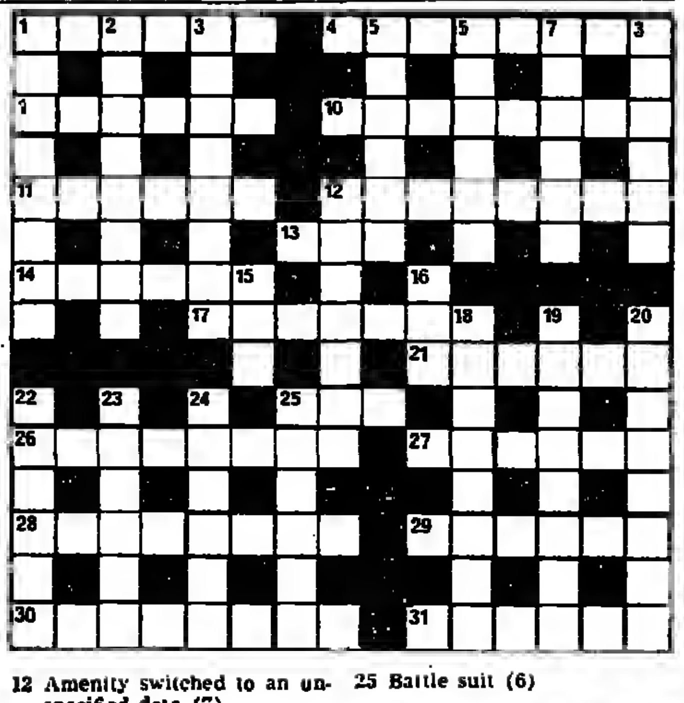
"Recent Issues" and "Rights" Page 35

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD PUZZLE NO 5,618



ACROSS

1 Bearing a flower in March or April (6)
4 Attractive snare used in sorcery (8)
9 Upset, yet has new understanding (6)
10 Remove it, perhaps, for extra pay (8)
11 Don't continue if scared (4-2)
12 None better to interrupt a broadcast appeal for fire prevention (8)
13 Individual on key (3)
14 Thin pointed weapon (6)
17 Rake money in, in the usual way (7)
21 High spirits? (6)
25 A politician concerned in current affairs (3)
26 It's presented at court (8)
27 The sun-god shot off to the moon (6)
28 Stop and relax with a shower (8)
29 Pa's cut out a ventilation shaft (6)
30 Telephone breakdown at the last moment (8)
31 Sorted things out by degrees (6)

DOWN

1 A bitter blow is wanted badly (4,4)
2 They may be a help or a hindrance in the works (8)
3 Dead estate agent (8)
5 Recommend about five different ideas (6)
6 They tend to hurry up before the ship rounds the point (6)
7 Soins yarns (6)
8 Sign of a pressing need? (6)
12 Amenity switched to an unspecified date (7)
15 Now up before everybody else? (3)
16 Female penal centre (3)
18 Blank sheet to finish a learned discourse (8)
19 Mineral springs help? Hear hear! (4,4)
20 Not the same as put into proper order (8)
22 Are in debt, but managed to bring up the children (6)
23 Rest in the easiest armchair (6)
24 Refined engine driver (6)
25 Battle suit (6)

Solution to Puzzle No. 5,617

هكذا اصله الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co

Sel Sec A.	26.1	27.5		—
Blue Chip	22.7	23.9	+0.7	—
Fixed Yield	19.7	20.8		—
Guaranteed Mny	15.9	16.8		—
Managed	20.4	21.5	+0.4	—
International	27.7	29.2	+0.6	—
Property	16.8	17.7	+0.1	—
Pacific	21.5	22.7	+0.2	—
Equity	16.4	17.3	+0.6	—
Special Sits	24.0	25.3	+1.5	—
Int Currency	14.2	15.0	+0.1	—
Index Linked Secs.	11.0	11.6	−0.1	—
American	21.0	22.2	+0.4	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.30	15.02		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Multi Gwth Jan 6	£305.936			—
Multi Gwth 'A' Jan 6	276.2	290.7		—
Op 8 Prop Jan 10	262.2	[illegible]		—
Op 0 Equity Jan 11	362.4	[illegible]		—
Op Hy Jan 10	271.6	[illegible]		—
Op 8 Man Jan. 10	343.3	[illegible]		—
Op 8 Dep Jan 11	200.5	[illegible]		11.70
Op 0 Bond Jan 10	186.1	[illegible]		—
Op 8 Inc Dist Jan 10	142.5	[illegible]		8.04
Op 0 Int Man Jan 10	207.0	[illegible]		—
Op 8 US$ Jan 10	162.9	[illegible]		12.32
Pens 0 Pr Ac Dec 31	343.7	[illegible]		—
Pens 8 Eq Ac Dec 31	1015.5	[illegible]		—
Pens 8 FI Ac Dec 31	388.3	[illegible]		—
Pens 8 Mid Acc Dec 31	599.3	[illegible]		—
Pens 8 Dp Acc Dec 31	218.8	[illegible]		—
Pens8Gart Global Dec 31	106.4	[illegible]		—
Pens 8 Gart MA Dec 31	101.6	[illegible]		—
PensGart?	114.0	120		—

For Pensions Capital Units please ring extension 319.

Britannia Funds—Series A

Am Smlr Co's Jan 14	125.9	[illegible]	+2.0	—
Jan Spec Sits Jan 14	155.9	[illegible]	+3.8	—
Commodity Jan 14	79.3	[illegible]	+1.3	—
Extra Inc. Jan 14	116.1	[illegible]	−0.2	—
Far East Jan 14	116.8	[illegible]	+3.2	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	195.3	205.6	−1.0	—
UK Equity	222.1	233.8	−1.6	—
Overseas Eq.	199.4	209.9	−0.4	—
American	198.9	209.4	−0.4	—
Far East	181.8	191.4	−1.3	—
Property	122.2	128.1		—
Fixed Int	159.6	168.0	−1.5	—
Indexed Gilt	104.5	110.0	−1.1	—
Deposit	111.9	119.9	+0.1	—

Pension Fund Prices

Man. Initial	195.9	[illegible]	−2.1	—
Man Acc.	218.0	[illegible]	−1.2	—
UK Eq. Initial	209.0	[illegible]	−1.7	—
UK Eq.	229.2	[illegible]	−1.9	—
Overseas Eq. Initial	238.7	[illegible]	−1.1	—
Overseas Eq	251.7	265	−1.2	—
American Initial	221.7	[illegible]	−0.2	—
American	244.4	[illegible]	−0.8	—
Far East Initial	232.0	[illegible]	−2.2	−2.2
Far East	256.5	[illegible]	−2.3	—
Prop. Initial	108.0	[illegible]		—
Prop.	119.8	[illegible]		—
Fixed Int. Initial	142.4	[illegible]	−1.2	—
Fixed Int.	156.3	[illegible]	−1.5	—
Indexed Gilt Initial	97.9	[illegible]	−1.2	—
Indexed Gilt	108.1	[illegible]	−1.2	—
Deposit Initial	112.5	[illegible]	+0.1	—
Deposit	124.5	[illegible]	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	526.4	560.2		—

Prices Jan 2. Next dealing February 1

New Zealand Insurance PLC
110/124, Baxter Avenue, Southend. (0702) 344566

Kiwi Key (Managed)	366.5	377.8		—
UK Equity	167.4	176.2	−1.4	—
American	254.0	267.4	+5.8	—
Pacific	390.0	410.5	+5.3	—
Property	152.9	160.9		—
Gilt	176.1	185.4	−1.3	—
High Inc. Equity	157.2	165.4	−0.5	—
High Int. Fxd. Int.	99.9	105.1	−1.6	—
Deposit	149.8	157.7	+0.1	—
Index-Linked Gilt	101.9	107.2	−0.4	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$11.97		−0.01	—

Inv Adv., M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM 0624 25015

Wren Comt. Fund	12.7	13.2		3.10
Chinese Fund	58.8	61.2		1.70
Precious Metal Fund	71.4	74.3	−4.3	8.30
Vanguard Cmdy. Fd.	20.5	22.1		0.00
Financial Futures Fd	32.5	33.8		—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd.	$9.79			—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd.	11.06	11.39	6-mth	Call
7-day Fnd	9.35	9.57	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.20	11.51	6-mth	Call
7-day Fund	9.00	9.20	6-mth	7-day
Money Mngt. Acct.	11.00	11.46	3-mth	Call
Dollar	7.00	7.21	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.375	9.71	Qtr	Call
Min. Int. Chq.	9.25	9.65	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	9.45	9.87	Mth	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	11.46	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.25	11.85	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DN. 01-248 3999				
Sterling	11.00	11.572	Mth	Call
U.S. Dollar	8.00	8.300	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss Francs	2.0	2.016	Mth	Call

COMMODITIES AND AGRICULTURE

Draft proposals would cut EEC cereals prices 3.1%

BY IVO DAWNAY IN BRUSSELS

SENIOR EEC agriculture officials are studying draft farm price proposals for the 1985-86 marketing year which would cut cereals prices by 3.1 per cent and increase those for milk by 2 per cent.

Although these figures represent only the first step on the long road to a comprehensive prices package, the Commission is understood to be furious that the plans have been leaked.

Overall, the draft, if agreed, would represent a further squeeze on the farm sector, already destined to overspend on the various draft budgets for the Common Agricultural Policy now in circulation.

The most generous of these places a ceiling of about Ecu 20bn (£12bn) for the coming year, but many believe current obligatory support expenditure would force supplementary funds to be added.

The first draft figures suggest price cuts of 3.1 per cent for all cereals products and rapeseed with the exception of hard wheat which would face a 3 per cent cut.

The UK Government, however, is expected to push for a tougher 5 per cent price cut —the figure technically required following the triggering of regulations on guarantee thresholds after last year's record harvest.

West Germany has given notice, however, that it is determined to oppose any substantial cut.

Dairy farmers would, under the draft, have a 2 per cent rise in the basic milk price but a 4 per cent reduction in the support rate paid for butter and a 7.7 per cent rise for skimmed milk powder.

The most severe price cuts look destined for sectors of the fruit and vegetables market with a 10 per cent cut for tomatoes and citrus products.

This, if agreed, is certain to enrage Spain which is seeking to raise its earnings from sales of these products to the Community ahead of its target accession to the EEC on January 1, 1986.

Higher UK dairy output still below quota

BRITAIN'S DAIRY farmers have stepped up production following their earlier over-reaction to EEC quota restrictions imposed last spring but still seem very unlikely to produce their full allocation.

Latest figures from the Milk Marketing Board show cumulative production between April 2 and January 5 was 255m litres or 2.7 per cent below quota. This is well up from the 3.9 per cent shortfall at the end of October but still leaves an almost impossible amount of ground to be made up.

The board says that to meet the quota, output over the next three months would have to be 2.7 per cent more than in the same period last year.

● EEC farm ministers last night voted to continue zero or reduced levy beef imports from third countries at present levels in spite of some objections from France, Belgium and Ireland.

International agreements allow Community traders to buy 30,000 tonnes of high-grade Hilton beef, 50,000 tonnes of frozen beef, and a further 50,000 tonnes of low-grade beef for food processors from outside the EEC.

● THE INTERNATIONAL Rubber Study Group estimates 1984 world rubber consumption 7.3 per cent up from 1983 at 4.27m tonnes, not 3.98m tonnes as inadvertently stated here last week.

● TOTAL BRITISH stocks of potatoes as at November 30 4.439m tonnes, including 157,000 tonnes from the 4,574 hectares still unlifted at that time, according to the Potato Marketing Board. This compares with the previous estimate of 4.597m tonnes.

● INDIA'S sugar output in 1984-85, ending September, will rise to at least 7m tonnes from 5.89m in 1983-84 because of a good monsoon and Government measures to ensure sugar cane reaches the mills, the Department of Agriculture said.

The state governments have been instructed to ensure the cane is refined and not used to make "khandsari" (unrefined brown sugar), which is not subject to official price and distribution controls, an official added.

Problems of an overcrowded profession

Farmers' viewpoint: By John Cherrington

I AM saddened when I consider the frustrations facing thousands of young people attending the agricultural departments of the universities, the established farm colleges and what used to be called the county farm institutes — now promoted to college status themselves.

Unless they are born into the business or are very wealthy, these students have little chance of getting a farm of their own. Farm management in consequence is an overcrowed profession, as are most of the advisory and consultancy services. Already the Government is slashing support for the Agricultural Food and Research Council, some of whose centres are having to close.

The main reason for the difficulty in entering the industry is that it is prosperous by the standards of most callings that I read about. This means that there is intense competition for farms from established farmers who wish to expand and from wealthy individuals who appreciate the aesthetic or sporting value of British land. Take no notice of the moans of the farming lobby. Most established farmers are very undergeared; it is probably true that the banks owe farmers more than farmers owe them.

There are very few farms to let. This is partly because of the lifetime security of tenure, sometimes extending to three generations, partly fiscal because an owner occupier is much more favourably placed than a landlord, but more importantly because farming is profitable and very naturally the landlord wants the lot.

Some counties have small holdings which were meant to be the first step on the farming ladder. But these are shrinking in number, and because of the difficulties of moving on could prove to be a trap with no outlet.

One does hear of some individuals establishing themselves against the odds. However, they are in most cases the exceptions which prove the rule. If you study their progress you find that in almost all cases some special factor besides dedication and hard work got them started.

The EEC Commission has been suggesting that special aids should be directed towards helping young farmers, but so far the British Government is fighting shy of becoming involved. After all, why should the taxpayer spend money to help people enter a profession already grossly overcrowded and highly profitable as well?

Not all EEC governments take this line. French, German and Danish policies are directed to maintaining a viable rural sector for what they see to be its social advantages, as well as the obvious economic ones.

They are against large farms on the British model, where a farmer or manager for an institution controls a large area with minimal staff and village life is dominated by commuters and the retired. This means that the free market economic trends are interfered with.

The German policy has been to establish industry in the countryside so that farmers can augment their incomes without losing their rural status. In Denmark there is a definite control of who buys land, for much the same reason.

In France the bias towards the social aspect is most pronounced. There is first the Loi des Cummules. The law against aggregation. This, generally speaking, limits the growth of farm size to that needed to maintain a family. I have met French farmers who complained about its limitations, but in general most seem to approve. There is also an organisation, SAFER, which is designed to monitor all land sales and theoretically has a pre-emption on all sales. However, shortage of funds is limiting its powers of intervention. In any case the law against aggregation has the effect of keeping farm size down.

There is also assistance to help young farmers become established. For there is a shortage of young farmers in parts of France, especially in the hilly and more difficult areas. Unlike the British, the rural young of France have flocked to the towns and have to be tempted back. There are grants and low cost loans which should make it possible for a sensible young farmer to get established.

Even in these schemes there is no place for the really resourceless. However, they are not limited to French nationals. The main criteria are age, not more than 35, some capital in cash and stock, and plenty of practical experience because the farm will probably be family run for ever—there is little hired farm labour in France. If I was a young English farmer determined to have my own farm I would at least take a look.

Aluminium price surge continues

BY RICHARD MOONEY

ALUMINIUM prices on the London Metal Exchange took up yesterday where they left off last week with sharp gains taking them to the highest levels since last May.

The cash quotation, which gained £15.75 on Friday, put on another £31 to end the day at £969.50 a tonne.

Dealers attributed the rise to continued speculative and trade buying triggered by last week's breaching of chart resistance levels.

The metal's strength continued to be underpinned by sterling's weakness. Although the pound's short-lived rally following the Minimum Lending Rate announcement had little effect on the market's firm tone, the aluminium price strengthened noticeably as sterling moved back towards the lows.

A sharpish rise in London Metal Exchange lead stocks last week helped ease concern about the availability of supplies for nearby delivery and this resulted in a further narrowing in the cash premium over the three months position.

Cash lead ended the day £13.50 down at £349 a tonne, while the three month's quotation lost only £2.50 to £325.25 a tonne.

The sterling rally wiped out early gains in copper prices before they were lifted again by a bigger than expected fall in LME warehouse stocks. The effects of the pound's resumed decline were largely counteracted by a disappointing opening in the New York market, and cash high grade copper ended the day £1 down at £1,172.50 a tonne.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes for week ending Jan. 11)

Aluminium	+ 600	to 143,725
Copper	− 5,600	to 119,475
Lead	+ 2,675	to 45,475
Nickel	+ 204	to 7,410
Tin	− 840	to 22,415
Zinc	+ 875	to 30,175
	(tonnes)	
Silver	+710,000	to 52.94m
	(ounces)	

Overcapacity in the European copper fabricating industry has reached such proportions that cuts of up to 30 per cent of capacity for some products will be required to bring the industry back into balance, according to a study by the Commodities Research Unit writes George Milling-Stanley.

CRU adds that the situation is getting worse because of the investment companies feel they must make in new plant and equipment in order to maintain or improve their competitive position.

The main response for the European industry to pressure on profit margins has been to cut operating costs, rather than reduce output. This is normally achieved by spending to modernise plant and equipment, which often serves also to increase capacity.

The closures or reductions in capacity which have taken place have been small in comparison with the overall size of the industry, and have largely been offset by increases elsewhere. The more efficient operators are now operating at around full capacity, putting further pressure on their competitors.

The study says demand in the industry could rise by between 30 and 40 per cent before any limitations on capacity become apparent, which suggests that the overcapacity must be regarded as structural rather than cyclical.

If output is not reduced there is little prospect of any price increase for European fabricators and the position will worsen if there is a downturn in demand.

Russia buys 3.1m tonnes of U.S. maize

BY NANCY DUNNE IN WASHINGTON

RUSSIA, once again actively buying to cover its 1984-85 grain import requirements, has re-entered the U.S. market to buy an estimated 3.1m tonnes of maize since the New Year.

Of the 50m tonnes of grain Moscow is expected to import by next July, the U.S. Department of Agriculture (USDA) estimates that about 37m tones are already under contract. This is well ahead of this time last year when the level had reached about 22m tonnes.

So far, the USSR has bought about 14.4m tonnes of grain from the U.S.—11m tonnes of maize and the rest wheat. In recent weks, it has purchased more than 3m tonnes of Argentine wheat, and, according to some reports, about 500,000 tonnes of wheat from India.

On Friday, the USDA kept its estimate of the Soviet grain harvest unchanged at 170m tonnes. It reported favourable conditions for USSR winter grains with the eastern and southern Ukraine getting near normal precipitation.

In its world agricultural supply and demand report, the USDA estimated an increase in world grain supplies to 1.613bn, due mainly to improved wheat production prospects in Argentina, larger estmiates for the U.S. wheat crop and increases for all Chinese crops.

Department forecasters raised their 1984-85 estimates for global wheat production to 509.5m tonnes and for coarse grain production to 790m tonnes.

The U.S. agricultural counsellor in Beijing has estimated China's 1984 grain harvest at 405m tonnes, up more than 20 per cent from 1983. He also predicted that China's grain output would continue to grow in the next two years, although not as quickly as in the previous three seasons.

In its crop production report on Friday, the USDA forecast U.S. citrus production at 11.1m tonnes, down 2 per cent from last month's estimate but still 5 per cent above last season's total. Orange output was estimated at 176m boxes, down 3 per cent from last month's estimate but up 4 per cent from last season.

The U.S. Feed Grains Council reported that Korean imports of feed grains dropped about 3.5 per cent from 4.63m tonnes in 1983 to 4.48m tonnes in 1984.

The U.S. share of the Korean feed grains market dropped to about 62 per cent, the lowest in 10 years.

Strong demand at tea auction

DEMAND remained strong for the 30,505 packages of tea on offer at yesterday's weekly London auction, reports Thompson Lloyd.

The sale, which included 3,600 packages in the offshore section, resulted in average prices of 340p a kg (unchanged) for the quality grade, 298p (290p) for medium tea, and 255p (unchanged) for low medium.

Assams opened firm, but medium and better-quality sorts later showed advances of 4p to 8p per kg. Coloury Bangladesh teas also sold at higher prices.

Bright liquoring Africans and good medium types were fully firm to 10p per kg dearer, with dusts a strong feature. Plainer types from Central Africa showed more irregularity and tended easier.

Ceylons were well supported at dearer rates, with selected lines often substantially higher.

LONDON MARKETS

THE COCOA market continued last week's strong performance with the May position ending £49 higher at £2,065 a tonne, the highest level since May last year.

Dealers said the rise, which followed a £130 advance last week, continued to reflect currency considerations. Bearish fundamental factors, such as higher production estimates for West Africa, were still being disregarded, they added.

Sugar future prices continued firm following Friday's late rise, which resulted in the London daily raws price being raised $6.50 to $112.50 yesterday morning.

Coffee values ended a little higher on the day after fluctuating in response to sterling's varying fortunes.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Jan. 14 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1145/1175	+30	$1180/1190
Copper			
Cash h Grade	£1172.5	−1	£1118.5
3 mths	£1186.25	+2.5	£1133.75
Gold troy oz	$302	−2	$316.20
Lead Cash	£348	−13.0	£348.5
3 mths	£325.25	−2.5	£333.62
Nickel	£5816		£5967
Free Mkt	216/248c	+1	227/257c
Palladium oz	$116.50		$138.75
Platinum oz	$266.70	−8.75	$299.50
Quicksilver†	$305/306	−5	$300/310
Silver troy oz	531.10p	−8.90	550.50p
3 mths	546.35p	−7.00	563.20p
Tin cash	£9830	+12.5	£9879
3 mths	£9832.5	+30	£9841
Tungsten	$81.75		$86.60
Wolfram 22.04lb	$64/68	−8	$74/78
Zinc	£717.0	+0	£673.5
3 mths	£707.20	+4.75	£671.5
Producers	$900		$800

	Jan. 14 1985	+ or −	Month ago
OILS			
Coconut (Phil)	$905y		$900
Palm Malayan	$690z		$585
Seeds			
Copra Phil	$560y		$560
Soyabean (U.S.)	$248.85	−1.15	$248
GRAINS			
Barley Fut. Mar	£114.05	−0.10	£112.65
Maize	£148.50		£146.50
Wheat Fut. Mar	£110.95	+0.90	£113.05
No2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£2065	+49	£1891.5
Coffee Ft. Mar	£2336.5	+3.0	£2287
Cotton A Index	71.80c	−0.05	71.70c
Gas Oil Feb.	$283.25	+0.0	$283.75
Rubber (kilo)	64p	+1	61p
Sugar (raw)	$118.5y	+0.0	$100.5
Wooltops 64s	498p kilo		497p kilo

‡ Unquoted. a Feb. y Jan-Feb. x Dec-Jan. † Per 75-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Jan. 11	Jan. 10	M'th ago	Year ago
290.31	293.88	287.37	295.57

(Base: July 1 1952 = 100)

REUTERS

Jan. 14	Jan. 11	M'th ago	Year ago
1955.9	1953.0	1894.7	1986.5

(Base: September 18 1931 = 100)

MOODY'S

Dec. 27	Dec. 18	M'th ago	Year ago
860.8	866.4	—	1404.2

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 27	Dec. 18	Month ago	Year ago
Spot	131.99	129.80	—	140.49
Fut	124.03	123.68	—	143.80

(Base: December 31 1974 = 100)

OIL

Continuing cold weather pushed Brent about 30c higher. Nymex opened 23c up and traded in a narrow range around this level during the U.S. morning. In the petroleum products market gasoil firmed steadily over the day in line with the IPE and Nymex as real end-user demand continued. Heating demands in most north-west European countries pushed up heavy fuel prices by $1.—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	28.25-28.49	—
Arab Heavy	26.65-26.80	−0.025
Dubai	27.33-27.00	+0.075
Brent Blend	27.05-27.50	
W.T.I. (1pm est)	26.00-26.05	+0.26
Forcados (Nigeria)	27.40-27.60	+0.175
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	231-233	—
Gas Oil	233-235	+4.5
Heavy fuel oil	194-197	+1

All February prices. Petroleum Argus Estimates

SPOT PRICES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Jan	238.70	+1.00	235.75-32.75
Feb	230.88	+3.50	235.50-23.25
March	229.75	+3.75	227.75-23.75
April	221.25	+4.00	221.75-18.25
May	218.00	+0.75	210.00-10.00
June	218.00	+1.25	216.00
July	217.00	+1.00	—

Turnover: 3,712 (1,835) lots of 100 tonnes.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	1170-1	−6.5	1179-.0	−1
3 months	1184-.0	−2	1186-.0	+2.5
Settlem't	1171	−6.5	—	—
Cathodes				
Cash	1174-.0	—	1100a	−4
3 months	1187-8	−2	1186a	+1
Settlem't	1175	—	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,173, 72.5, 72, 71, 70, three months £1,185.5, 86, 86.5, 86, 85.5, 85, 84.5, 84, 83.5, 84. Cathodes: Cash £1,174, 75. Kerb: Higher Grade: Three months £1,183, 82, 83. Afternoon: Higher Grade: Three months £1,179, 80, 79.5, 79, 80, 80.5, 84, 83.5, 84, 84.5, 85, 86, 86.5. Cathodes: Cash £1,170. Kerb: Higher Grade: Three months £1,188, 87, 88, 87.5, 88, 89, 90, 91, 90.5, 91, 92, 92.5, 93, 92.5. Turnover: 29,800 tonnes.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	9795-800	−35	9825-35	+12.0
3 months	9800-10	−21	9830-40	+20
Settlem't	9800	−35	—	—
Standard				
Cash	9795-800	−30	9823-30	+12.5
3 months	9720-95	−12.5	9830-5	+30
Settlem't	9800	−35	—	—
Straits E.	$29.15	—	—	—

Tin—Morning: Standard: Cash £9,820, 9,800, three months £9,830, 10, 9,800, 9,780. Kerb: Three months £9,733, 80. Afternoon: Standard: Three months £9,810, 20, 10, 15, 20, 25, 30, 35. Kerb: Standard: Three months £9,833, 40. Turnover: 1,815 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	308-60	−2.8	348-50	−13.5
3 months	325-.5	−2.25	325-.3	−2.5
Settlem't	360	−3	—	—

Lead—Morning: Cash £345, 46, 48, 49, 50, 52, 53, 55, 56, 57, 58, three months £329, 28.5, 28, 26, 25.5. Kerb: Three months £326. Afternoon: Cash £350, 48, 50, 48, three months £326.5, 26, 25, 25.5. Kerb: Three months £326, 26.5, 26. Turnover: 13,150 tonnes. U.S. Spot: 18-26 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	717-8	+3	717-8	+6
3 months	707-.0	+5.5	707-.3	+4.70
Settlem't	718	+3	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £755-760, pm £755-760. Three months am £745-750, pm £745-750. Settlement £760. Morning: Three months £706, 05, 07. Kerb: Three months £707, 06. Afternoon: Three months £707. Kerb: Three months £707.5, 08.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	966-.5	+22.7	969-7	+31
3 months	990.5-1	+20.5	996-7	+35

Aluminium—Morning: Three months £996, 95, 94, 93, 92, 93, 94, 92, 90, 88, 89, 91, 92, 91.5, 91. Kerb: Three months £991, 90, 89. Afternoon: Three months £990, 91, 91.5, 92, 93.5, 94, 93.5, 95, 96, 97. Kerb: Three months £996, 95.5, 96, 97, 97.5, 98, 99, 1,000, 01. Turnover: 33,350 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
Spot	4297-300	+13.5	4345-50	+55
3 months	4330-9	+13	4390-5	+60

Nickel—Morning: Cash £4,300, three months £4,340, 35. Afternoon: Cash £4,320, 30, 35, 40, 50, three months £4,380, 70, 80, 85, 90. Kerb: Three months £4,390, 4,400. Turnover: 1,110 tonnes.

GOLD

Gold fell $2 to $301¾-302¼ on the London bullion market yesterday. It opened at $301-301½, unchanged from the Hong Kong close, but up from the Friday finish in New York of $299¾-299¾. The metal was fixed at $301¼ in the morning, before falling to a fixing level of $299 in the afternoon. It touched a low of $297½-298, but closed at the highest point of the day.

LONDON FUTURES

Month	Yest'days close	+ or −	Business Done
	$ per troy ounce		
Jan.	—	—	—
Feb.	299.40	−3.10	302.50-01.00
April	303.00-05.30	—	—

Turnover: 89 (25) lots of 100 troy ounces.

GOLD BULLION (fine ounce) Jan. 14		
Close	$301½-302¼	(£271½-271¾)
Opening	$301-301½	(£270½-270¾)
M'n'g fix.	$301.25	(£267.039)
Aft'n'n fix.	$299.00	(£266.161)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$310¾-311⅛	(£279¼-280)
½ Krug.	$160¼-161	(£144-144¾)
¼ Krug.	$81½-82½	(£73½-74¼)
1/10 Krug.	$33½-34	(£30-30½)
Mapleleaf	$310¾-311½	(£279¼-280)
New Sov.	$71-73¼	(£63¾-66¼)
½ New Sov.	$43¼-44	(£39-39½)
Old Sov.	$72-73½	(£64¾-66¼)
$20 Eagle	$470-500	(£410-449½)
Noble Plat	$274½-277½	(£246½-249¼)

SILVER

Silver was fixed 8.9p an ounce firmer for spot delivery in the London bullion market yesterday at 531.1p. U.S. cent equivalents of the fixing levels were: spot 600.40c, down 10.6c; three-month 612.9c, down 10.1c; six-month 627c, down 9.5c; and 12-month 658.4c, down 8.6c. The metal opened at 538-541p (599-602c) and closed at 539-542p (600-603c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	531.10p	−8.90	537.5p	−5.5
3 months	546.35p	−7.30	552.5p	−4.20
6 months	561.70p	−8.25	—	—
12 months	598.35p	−6.30	—	—

LME—(2,000 oz contract): cash 537.5p (543p); three months 552.5p (556.75p). Turnover: 0 (0).

Turnover: 47 (00) lots of 10,000 oz. Morning: large 2nd ring three months 547. Kerb: untraded. Afternoon: large 2nd ring three months 552. Kerb: untraded.

COCOA

The market continued very strong in another active session. After opening limit-up, prices eased as sterling strengthened. With the later weakening of sterling prices rallied strongly. Some light origin selling was noted reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2066-2007	+54.0	2073-2029
May	2064-2017	+49.0	2074-2029
July	2061-2002	+66.5	2070-2032
Sept	2064-2066	+31.0	2075-2036
Dec	2000-2005	+83.0	2011-1977
Mar	2000-2003	+97.0	2002-1980
May	1990-2003	+32.0	1985-1980

Sales: 7,677 (8,624) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for January 14: 100.44 (99.71); five-day average for January 15: 98.80 (97.88).

COFFEE

On a day dominated by exchange rate movements, robustas declined from opening levels during a quiet morning, reports Drexel Burnham Lambert. Dealer buying of deferred positions gave a steady tone to afternoon trading and most positions reached new life-of-contract highs late in the session.

COFFEE	Yesterd'ys Close	+ or −	Business Done
January	2300-02	+3.3	2301-80
March	2330-38	+3.5	2340-18
May	2355-54	+10.5	2365-35
July	2365-66	+22.0	2365-54
Sept	2368-70	+21.5	2375-45
Nov	2370-75	+21.0	2370-43
Jan	2374-80	+30.5	2373-00

Sales: 3,011 (5,208) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for January 11: Comp. daily 1979 134.17 (134.12); 15-day average 133.88 (133.62)

GRAINS

Wheat moved 25p higher on good shipper demand and currency fluctuations. Thereafter values remained in a tight range. Barley was featureless, with new crops trading slightly easier on European interest, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterd'y's close	+ or −
Jan.	111.20	+0.15	111.85	+0.10
Mar.	113.85	+0.20	114.00	−0.10
May	117.05	+0.20	116.95	+0.00
July	119.60	+0.20		
Sept.	98.40	+0.20	98.20	+0.20
Nov.	101.40	+0.20	101.50	+0.20

Business done—Wheat: Jan untraded, March 114.00-3.80, May 117.05-7.50, July 119.60 only, Sept 98.40-8.25, Nov 101.40-1.35. Sales: 131 lots of 100 tonnes. Barley: Jan 112.00-1.90, March 114.25-4.15, May 110.90 only, Sept 98.25 only, Nov untraded. Sales: 22 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 14 per cent: Feb 178, March 178.00, April/May 166.75, transhipment East Coast. U.S. No. 2 Soft Red Winter: Feb 162.25, March 162.50, April 181. English feed, fob: March 113.75, seller East Coast. Maize: U.S. No. 3 Yellow/French: Jan 148.50 quoted, transhipment East Coast. Barley: English feed, fob: Feb 116.50, seller East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed barley: Eastern 109.30, E. Midlands 111.50. The UK monetary coefficient for the week beginning Monday, January 21 (based on HGCA calculations, using four days' exchange rates) is expected to change to 1.036.

PIGMEAT

After an unchanged opening prices rallied due to short-covering and fresh buying interest, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	112.00	111.00	112.00-111.00
April	110.00	109.80	111.00-108.00
June	107.00	107.10	107.20-107.00
Aug	103.50	100.30	103.50
Oct	109.50	109.40	
Nov	110.40	110.50	110.40-110.50

Sales: 28 (98) lots of 50 carcases, 3,250 kg.

POTATOES

After a firm start, with gains of £2.60 quickly being registered on the April position profit-taking selling caused the months to drop heavily by the close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Feb	48.80	49.00	50.50-50.00
April	62.10	63.40	66.00-62.10
May	64.00	66.00	68.50-64.60
Nov	70.70	71.00	71.00
Feb	81.50	82.00	—

Sales: 627 (868) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened sharply higher following more buffer stock buying, remained steady on currency considerations and closed on a steady note, reports Lewis and Peat. Closing prices (buyers): Spot 84.00p (83.00p); Feb 75.00p (73.00p); March 75.25p (73.50p). The Kuala Lumpur Jan fob price for RSS No. 1 194.0 (186.0) and for SMR 20 was 184.0 (180.5).

SOYABEAN MEAL

The market opened unchanged in quiet trading conditions, reports T. G. Roddick. During the afternoon prices firmed on the back of shipper buying.

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb	150.0-152.0	+0.75	150.5
April	150.8-151.2	+0.35	151.0-149.4
June	150.0-150.8	+0.55	150.5-140.6
August	150.5-151.8	+0.55	151.0-148.5
October	151.8-152.0	+0.80	—
Dec	152.0-153.8	+1.50	—
Feb	152.0-155.0	+0.50	—

Sales: 504 (410) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $112.50 (£99.50), up $6.50 (up £5.50) a tonne for January-February delivery. White sugar $47.50, up $6.00.

Prices moved higher following rumours that the USSR had recently purchased a block of EEC whites from the trade, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	129.8-130.0	130.0-130.2	134.0-126.0
May	137.8-138.0	138.0-138.2	142.6-138.0
Aug	148.4-148.8	150.0-150.2	156.8-146.8
Oct	156.2-156.4	157.8-158.0	161.6-154.0
Dec	162.0-165.4	164.2-164.6	165.0
Mar	177.0-170.4	180.0-180.2	181.2-180.6
May	184.0-185.2	186.0-187.8	—

Sales: 4,291 (3,397) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £201.50 (£202.50) a tonne for export.

International Sugar Agreements—(U.S. cents per pound fob and stowed Caribbean ports). Prices for January 11: Daily price 3.69 (3.31); 15-day average 3.30 (3.28).

U.S. MARKETS

PRECIOUS METALS rallied despite a strong dollar late in the day; of the two metals, gold appeared to have more support, reports Heingold Commodities. Heating oil was sharply higher as very cold tempretures on the continent and in the U.S. continued to generate unexpected demand; Opec surplus production suggests further problems in attempts to hold up distillate prices. Sugar underwent a minor downward correction as profit-taking dominated the market. Aluminium traded higher on heavy trade buying and commision house short-covering. Copper closed marginally higher despite heavy arbitrage selling. Coffee fini shedbasically unchanged as roasters and dealers continued to abstain from the market and trading activity remained light. Cotton closed moderately higher

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	48.15	—	—	47.25
Feb	48.40	—	—	47.50
March	49.80	49.80	48.95	47.90
May	50.00	51.00	49.75	48.70
July	51.40	51.50	50.60	49.50
Sept	52.20	51.85	51.80	50.30
Dec	53.40	53.00	53.00	51.50
Jan	53.80	—	—	51.90
March	54.00	54.20	54.20	52.70
May	55.40	—	—	53.50

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2158	2187	2151	2154
May	2198	2210	2186	2179
July	2181	2196	2160	2163
Sept	2193	2166	2162	2170
Dec	2125	2125	2100	2100
March	2134	—	—	2109
May	2124	—	—	2089

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	143.00	43.25	42.05	42.63
May	140.86	40.90	39.80	40.30
July	139.30	39.30	38.25	38.91
Sept	137.90	37.90	37.15	37.80
Dec	137.00	37.00	35.95	36.40
March	135.28	—	—	35.03
May	134.28	—	—	34.01

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	56.85	57.00	57.00	56.90
Feb	57.10	—	—	57.00
March	57.50	57.85	56.35	57.40
May	58.15	58.50	57.10	58.00
July	58.90	59.00	57.50	58.60
Sept	59.40	59.40	58.35	59.15
Dec	60.35	—	58.50	60.05
Jan	60.65	—	—	60.35
March	61.30	60.50	60.00	61.00
May	61.90	61.10	61.10	61.60

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	69.52	66.78	66.35	65.00
May	67.35	67.58	67.10	67.51
July	68.10	69.33	68.10	68.35
Oct	67.86	68.20	68.00	68.20
Dec	67.99	68.30	67.92	68.25
March	69.46	68.55	68.45	69.65
May	70.00	—	—	70.35

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Feb	26.08	26.08	25.95	25.77
March	26.25	26.25	25.98	25.80
April	26.13	26.14	25.90	25.70
May	26.00	26.00	25.78	25.61
June	25.82	25.85	25.74	25.62
July	25.83	25.83	25.60	25.58
August	25.78	25.78	25.60	25.58
Sept	—	—	—	25.56
Oct	—	—	—	25.58
Nov	25.70	25.70	25.70	25.58

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	302.9	302.3	298.5	299.2
Feb	303.8	306.3	298.3	300.3
March	305.8	303.7	298.5	302.3
April	307.7	309.0	302.0	304.0
June	312.2	313.8	310.0	308.4
August	310.7	317.0	314.0	312.8
Oct	321.4	319.0	318.5	317.5
Dec	326.5	326.0	321.8	322.3
Feb	331.8	327.5	327.8	327.8
April	337.2	335.0	335.0	333.1
June	343.2	342.0	342.0	339.1
August	349.3	345.4	343.8	345.1
Oct	355.7	—	—	351.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Feb	77.80	77.90	75.80	75.79
March	73.05	73.15	72.30	71.66
April	69.50	69.60	68.10	68.75
May	68.10	66.30	67.80	67.40
June	67.50	67.20	66.95	66.40
July	67.50	67.30	67.25	66.75

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	155.40	56.00	55.50	57.00
March	157.95	59.00	57.00	60.96
May	159.30	60.56	59.20	61.85
Sept	158.00	58.10	57.75	59.75
Nov	157.00	—	—	59.00
Jan	157.00	—	—	59.00
March	156.75	—	—	56.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	268.3	268.3	263.0	263.4
Feb	267.0	—	—	—
April	272.4	273.5	266.3	257.3
July	278.4	279.0	273.0	273.5
Oct	284.9	284.5	281.0	280.0
Jan	291.8	—	—	286.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	601.8	—	—	597.0
Feb	603.1	—	—	599.1
March	607.3	614.0	594.0	603.0
May	610.1	621.0	603.0	611.0
July	625.2	630.0	612.0	620.0
Sept	635.2	636.5	621.0	630.4
Dec	651.2	653.0	638.5	646.3
Jan	656.8	—	—	651.7
March	667.0	666.7	664.0	662.7
May	679.0	—	—	674.7

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	4.59	4.84	4.62	4.69
May	5.03	5.24	4.91	5.09
July	5.48	5.64	5.25	5.51
Sept	5.66	5.90	5.61	5.72
Oct	5.88	6.13	5.70	5.95
Jan	6.34	6.60	6.00	6.41
March	6.90	7.12	6.76	6.93
May	7.10	7.15	7.11	7.11

SPOT PRICES—Chicago loose lard 25.50 (same) cents per pound. New York tin 499.0-512.0 (504.0-10.0) cents per pound. Handy and Harman silver bullion 594.0 (611.8) cents per troy ounce.

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	65.07	65.15	64.13	64.90
April	66.95	67.15	66.15	66.57
June	67.25	67.35	66.50	66.67
August	65.52	65.57	64.85	65.06
Oct	63.80	63.90	63.17	63.27
Dec	65.10	65.10	64.65	64.70

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	53.10	53.25	52.12	52.56
April	50.22	50.25	49.17	49.75
June	54.82	54.80	53.87	54.47
July	55.12	55.20	54.10	54.85
August	53.75	54.00	53.00	53.70
Oct	49.62	49.75	48.90	49.25
Dec	49.60	49.62	49.10	49.35
Feb	49.05	49.05	48.80	49.00
April	46.25	46.25	46.25	46.20

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	269.2	269.4	268.2	269.4
May	274.4	275.2	274.8	274.8
July	277.8	277.0	276.2	277.2
Sept	272.0	272.0	271.6	272.2
Dec	267.4	269.0	266.8	267.4
March	277.0	279.4	277.0	277.4
May	285.2	286.8	284.5	284.8

PORK BELLIES 38,000lb, cents/lb

	Close	High	Low	Prev
Feb	75.80	76.13	72.22	74.22
March	76.32	76.57	72.80	74.77
May	77.67	78.05	74.35	76.35
July	78.67	78.70	75.25	77.25
August	76.50	76.70	73.05	78.00
Feb	68.70	68.90	67.50	68.02
March	68.20	68.20	68.10	68.20

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	579.4	581.4	574.0	578.0
March	589.2	591.2	584.0	588.4
May	600.6	603.8	596.0	600.0
July	610.0	612.0	605.0	608.8
August	612.0	613.0	607.0	610.0
Sept	608.4	608.4	601.0	604.0
Nov	609.4	610.0	603.8	605.4
Jan	622.4	623.4	619.0	618.0
March	636.0	636.0	633.0	631.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	141.2	141.7	139.8	140.8
March	145.7	146.4	144.2	145.9
May	151.2	151.9	149.9	151.1
July	156.0	156.7	155.0	156.2
August	157.3	158.0	157.0	157.8
Sept	158.0	—	—	158.5
Oct	160.0	—	—	159.0
Dec	165.5	166.0	163.0	164.6

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	25.75	25.80	25.46	25.81
March	25.24	25.29	24.51	25.07
May	24.51	24.82	24.45	24.71
July	24.50	24.50	24.15	24.35
August	24.25	24.25	24.05	24.20
Sept	24.14	24.14	23.90	24.09
Oct	23.85	23.85	23.85	23.77
Dec	23.67	23.75	23.30	23.40

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	350.6	351.0	347.4	349.0
May	342.4	343.0	340.0	341.4
July	332.0	333.0	331.4	332.4
Sept	334.0	334.0	332.4	333.2
Dec	344.0	344.0	342.0	343.0
March	346.6	347.0	346.6	346.4

OTHER MARKETS

COTTON

LIVERPOOL—Spot and shipment sales amounted to 192 tonnes. Fair trading developed in American-type varieties. Latin American growths moved off steadily as well as Central and East African.

JUTE

JUTE—Jan-Feb c and f Dundee BWC/BTC $380, BWD/BTD $360; c and f Antwerp BWC/BTC $380, BWD/BTD $360; c and f Dundee ex-India Jan 40in 10oz £33.58, 40in 7½oz £24.37 both per 100 metres; twills £105.48 per 100 bags. (From January 1 hessians quoted per 100 metres not, as previously, per 100 yards.)

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Jan 512 buyer only, nil; March 514, 518, 515-514; May 522, 523, 523-522; Aug 539, 540, 541-539; Oct 538, 542, nil; Dec 538, 543, 541-539; Jan 543, 544, 543; March 550, 553, 552; May 557, 559, 558-557. Sales: 58.

SYDNEY GREASY WOOL—Close (in order—buyer, seller, business). Australian cents per kg. March 580.0, 582.0; May 585.0, 601.0; July 596.0, 598.0; Oct 582.0, 589.0; Dec 586.0, 598.0; March 582.0, 606.0; May 600.0, 608.0; July 605.0, 610.0. Sales 0.

PARIS

COCOA—(FFr per 100 kg.): March 2208.50-2209.50, May 2215-2225, July 2210 bid, Sept 2200 bid, Dec 2130 bid, March 2130 bid, May 2135 bid.

MEAT

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 77.0 to 85.0; English hindquarters 98.0 to 102.0, forequarters 58.8 to 68.0. Veal: Dutch hinds and ends 124.0 to 128.0. Lamb: English small 68.0 to 76.0, medium 64.0 to 72.0, heavy 60.0 to 68.0; Scottish medium 64.0 to 70.0, heavy 61.0 to 64.0. Imported: New Zealand PL (New Season) 69.5 to 70.5, PL (Old season) 67.5 to 63.5. Pork: English under 100 lb 55.5 to 63.0, 100-120 lb 56.0 to 60.0, 120-160 lb 48.0 to 52.0.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil and firm dollar hit pound

A confusing day on the foreign exchanges ended with the dollar breaking out of its recent trading range, and moving to record highs, while sterling slipped again, after rising during the morning when London interest rates were increased.

Attention appeared to focus on the pound before lunch, and it seemed likely the dollar would have another quiet day. But when the German Bundesbank did not take the opportunity to attack the dollar after the re-introduction of Bank of England Minimum Lending Rate and a rise of 1½ per cent to 12 per cent in clearing bank base rates, buyers suddenly appeared in the market pushing the U.S. currency up sharply.

Fear of Bundesbank intervention has been a major factor preventing a rise in the dollar's value recently, but underlying demand remains firm, boosted by expectations of renewed economic growth in the first quarter of the year.

Lack of intervention by the Federal Reserve to add reserves to the New York banking system, as the Federal funds rate traded above 8 per cent, also increased demand for the dollar, which touched a 12-year trading peak of DM 3.1970 before closing at DM 3.1935 compared with DM 3.16 on Friday. It also rose to a nine-year high of SwFr 2.6760 from SwFr 2.6430; to Y255.45 from Y253.75; and a record level of FFr 9.7750 from FFr 9.6675.

On Bank of England figures the dollar's index rose to a record 146.7 from 145.6.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.1110. December average 1.1873. Exchange rate index fell to a record closing low of 70.8, from 71.3, compared with 78.2 six months ago. It opened at an all time trading low of 70.6, and after touching a peak of 71.7 at 11 am held fairly steady until falling sharply at the close.

The pound hit an all time trading low of $1.1020-1.030 in the far East and opened around $1.1130-1.1140 in London. A rise in interest rates pushed sterling to a high of $1.1310-1.320, but in the afternoon news that Statoil, the Norwegian state oil company, is to let market forces determine price levels for crude oil depressed the pound to its lowest levels during European trading. It fell 1.35 cents on the day to a record closing low of $1.1105-1.1115; rose slightly to DM 3.55 from DM 3.5475, was unchanged at FFr 10.8450 and SwFr 2.97, and eased to Y283.75 from Y285.50.

D-MARK — Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December average 3.1021. Trade-weighted index 120.0 against 124.5 six months ago.

The D-mark lost ground to the dollar as a sudden wave of buying set in for the U.S. currency after the Frankfurt fixing. Dealers suggested that covering of short positions after the Bundesbank failed to intervene in the market, despite indications of higher European interest rates, led by the Bank of England move, pushed the dollar up sharply. The dollar was fixed at DM 3.1647 compared with DM 3.1528, and the Bundesbank did not intervene at the fixing or on the open market. Later in the day the U.S. currency rose to a peak of DM 3.1970, causing some surprise that it had broken out of its recent trading range of DM 3.15 to DM 3.18. Sterling rose to DM 3.5710 from DM 3.5490 at the fixing, following the re-introduction of Minimum Lending Rate, while within the EMS the French and Belgium francs, Danish krone and Italian lira were firmer, while the Dutch guilder and Irish punt weakened against the D-mark.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Jan 14	Previous
8.30 am	70.6	71.3
9.00 am	70.8	71.3
10.00 am	70.7	71.4
11.00 am	71.7	71.1
Noon	71.4	71.1
1.00 pm	71.8	71.2
2.00 pm	71.5	71.2
3.00 pm	71.3	71.2
4.00 pm	70.8	71.3

£ in New York

	January 14	Prev. close
£ Spot	$1.1105-1115	$1.1180-11.90
1 month	0.46-0.41 pm	0.24-0.22 pm
3 months	0.98-0.93 pm	0.65-0.59 pm
12 months	2.00-1.85 pm	1.45-1.35 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.5155	−0.86	—	±1.5428
Danish Krone ...	8.14104	7.96035	−2.22	−1.36	±1.6421
German D-Mark	2.24184	2.22319	−0.83	+0.03	±1.1463
French Franc ...	6.87456	6.81422	−0.88	−0.02	±1.3659
Dutch Guilder ...	2.52595	2.51108	−0.59	+0.27	±1.5165
Irish Punt	0.72569	0.713340	−1.70	−0.84	±1.6671
Italian Lira	1403.49	1366.36	−2.65	−2.41	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Jan 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1020-1.1320	1.1105-1.1115	0.49-0.44c pm	5.02	1.10-1.00pm	3.78
Canada	1.4755-1.4920	1.4860-1.4730	0.38-0.33c pm	2.94	0.78-0.68pm	1.89
Nethlnd.	3.9805-4.0325	4.00-4.01	2⅜-2¼c pm	7.30	6-5¾pm	0.88
Belgium	70.84-71.48	70.86-70.96	18-8c pm	2.12	27-15pm	1.19
Denmark	12.64½-12.69	12.66-12.67	⅜ pm-½ore dis	0.06	1½-2¼dis	−0.67
Ireland	1.1306-1.1430	1.1390-1.1400	0.02-0.20p dis	−1.15	0.27-0.62dis	−1.56
W. Ger.	3.5340-3.5710	3.54½-3.56½	2⅛-2pf pm	7.39	5½-4⅞pm	5.77
Portugal	190.56-195.08	190.56-192.55	200-495c dis	−21.77	625-1480d	−21.98
Spain	194.72-197.64	194.70-196.20	par-25c dis	−0.77	50-105dis	−1.59

FINANCIAL FUTURES

Prices down

Sterling based futures fell sharply in the London International Financial Futures Exchange yesterday, reflecting a sharp rise in cash rates. Three-month sterling for March delivery was traded limit down which represents a 100 point drop from the previous settlement price, even before the announcement concerning 12 per cent MLR. Heavy liquidation had been seen from the start of trading in anticipation of a rise in rates. Sterling's fall in the Far East to nearly $1.10 made a rise in rates inevitable.

Having opened at 88.16, the March price fell to 88.13 compared with Friday's close of 89.13. Trading was resumed after an hour's break and by the close it had recovered to 88.19.

Gilt stocks suffered in much the same way. The announcement of a tap stock was a further reminder of the Government's need to raise funds but was also seen by some as an attempt to suggest that rates were high enough at present to make the tap stock an attractive buy.

The FT-SE sector also saw large losses with the March contract finishing at 121.90 down from 123.70 at the opening and 124.90 on Friday.

Euro-dollar prices were lower in early trading as fears remained that the U.S. authorities were no longer encouraging a fall in cash rates. However Federal funds were a little easier at 8¼ per cent.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.75	90.75	90.67	90.81
June	90.11	90.11	90.03	90.21
Sept	89.01	89.61	89.53	89.71
Dec	89.19	89.19	89.14	89.28
March	88.84	—	—	88.93

Est volume 4,522
Previous day's open int (11,053)

THREE-MONTH STERLING £250,000 points of 100%

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	70-17	70-22	70-11	71-02
June	69-24	69-24	69-19	70-09

Est volume 1,136
Previous day's open int (1,608)

CHICAGO

U.S. TREASURY BONDS (CBT) 9% $100,000 32nds of 100%

Company Notice

NOTICE OF PURCHASE

EUROPEAN INVESTMENT BANK

11¼% UNITED STATES DOLLAR BONDS OF 1984, DUE DECEMBER 15, 1990

NOTICE IS HEREBY GIVEN to bondholders that Union Bank of Switzerland (Securities) Limited, London, as Purchase Agent for account of such Bank, has purchased U.S.$8,000,000 — principal amount of Bonds during the ten-month period ending 15 December 1984.
As of 16 December 1984 the principal amount of such Bonds remaining in circulation was U.S.$102,000,000.—
Luxembourg,
15th January 1985
EUROPEAN INVESTMENT BANK

PETROLEOS MEXICANOS

US$75,000,000

Floating Rate Notes due 1988

Notice is hereby given that the rate of interest for the period 11th January 1985 to 11th July 1985 has been fixed at 9¼% per annum.
On 11th July 1985 interest of US$11,469.52 per US$250,000 nominal amount of the notes will be due against interest coupon no. 8.

Swiss Bank Corporation
Agent Bank

BANQUE INDOSUEZ

US$150,000,000

Floating Rate Notes due 1990

In accordance with the terms and conditions of the notes, notice is hereby given that for the six month period from January 14, 1985 to July 15, 1985 the notes will carry an interest rate of 9⅛%. The coupon amount so calculated will be US$229.08.
Banque Generale du Luxembourg
Societe Anonyme
Agent Bank

Clubs

Personal

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 8⁵⁄₁₆-8⁷⁄₁₆ per cent; seven days 8⁵⁄₁₆-8⁷⁄₁₆ per cent; one month 8⁵⁄₁₆-8⁷⁄₁₆ per cent; three months 8⁷⁄₁₆-8⁹⁄₁₆ per cent; six months 8⅞-9 per cent; one year 9⅛-9¼ per cent. Long-term Eurodollars: two years 10⅝-10⅞ per cent; three years 11-11¼ per cent; four years 11¼-11½ per cent; five years 11½-11⅞ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

MLR reintroduced at 12%

The Bank of England reactivated its Minimum Lending Rate just for yesterday at 12 per cent in an effort to halt the recent fall in sterling. The move prompted clearing banks to increase their base rates to 12 per cent, having already moved up to 10½ per cent from 9½-9¾ per cent only last week. However the psychological impact of bringing back MLR was soured somewhat by the Bank's decision to withdraw it after only one day. Sterling recovered initially but fell back to close at its worst level ever. Consequently the market finished the day as confused and nervous as it had started.

UK clearing banks' base lending rate 12 per cent since January 14

Bank of England money market dealing rates were also increased by 1½ per cent. Three-month interbank money finished at 12-12¼ per cent up from 10⅝-10¾ per cent while three-month eligible bank bills were bid at 11⅝-11¹¹⁄₁₆ per cent from 10⁹⁄₁₆ per cent. Overnight interbank money touched a high of 12½ per cent and a low of 3 per cent before finishing at 10 per cent.

The Bank forecast a shortage of around £150m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £388m and the unwinding of previous sale and repurchase agreements a further £29m. In addition banks brought forward balances £55m below target. These were partly offset by Exchequer transactions which added £40m and a fall in the note circulation of £275m. The forecast was revised to a shortage of £200m and then to £250m. *Total help was £249m.*

Assistance in the morning comprised purchases of £73m of eligible bank bills, £2m in band 1 (up to 14 days) at 11⅞-12 per cent, £4m in band 2 (15-33 days) at 11⅞-11⅞ per cent, £7m in band 3 (34-63 days) at 11⅞-11⅞ per cent and £60m in band 4 (64-91 days) at 11¾-11⅞ per cent. In the afternoon it bought £176m of bills comprising £85m of eligible bank bills in band 2 at 11⅞ per cent and £8m in band 3 at 11⅞ per cent. In band 4 it bought £83m of Treasury bills at 11½ per cent.

MONEY RATES

Jan. 14	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	10¾	2⅛-9⅝	5¾-5⅞	5.28125	15⅝-19	9.55	14⅜-14⅝
One month	5.75-5.85	10⅜-10⅝	4⅞-4⅞	5⅞-5⅞	6.21875	15½-15⅞	10⅞-10⅞	14½-14⅝
Two months	5.65-5.80	10⅞-10⅝	—	—	—	—	—	14½-14⅝
Three months	5.75-5.90	10⅝-10⅝	4⅝-4¾	5⅞-5⅞	5.28125	15⅝-16	10⅝-10¾	14⅜-14½
Six months	5.80-5.95	10⅞-10⅞	—	0⅛-9	—	—	10⅝-10⅞	14¼-14⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	0¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Jan. 14 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)
Overnight	—	5-19½	11½-12	8-12½	8-12	—
2 days notice	—	—	11¼-11⅝	—	—	—
7 days or ...	—	—	—	—	—	—
7 days notice	—	10⅛-12¼	11¼-11⅝	10¼-12½	11-11½	—
One month	12¼-11⅞	11½-12⅝	12⅛	12½	11½-11¾	11⅞
Two months	12½-11¾	11⅞-12⅝	12	12⅝	11¼-11⅝	11¾
Three months	12⅛-11⅞	11¾-12⅝	12	12¼	10¾-11⅞	11⅞
Six months	11⅞-11⅞	11¾-12¼	12	—	—	—
Nine months	11⅝-11½	11¾-12⅛	—	—	—	—
One year	11⅝-11½	11¾-12	11⅞	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12¾-12⅜	—	—	8.1-8.9	7¾-8	9⅝-9⅝
Two months	12⅝-12¼	—	—	8.2-8.3	7⅞-8⅛	9⅝-0⅝
Three months	12½-12¼	—	—	8.4-8.5	7⅞-8⅛	9⅞-0⅞
Six months	12¼-11⅞	—	—	8.75-8.80	8¼-8½	0⅞-0¾
Nine months	12⅛-12⅛	—	—	9.1-9.3	—	—
One year	12⅛-10⅛	—	—	9.5-9.7	8⅞-8⅞	0⅝-9⅞
Two years	—	19	—	—	—	—
Three years	—	12⅛	—	—	—	—
Four years	—	12⅛	—	—	—	—
Five years	—	12¼	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period December 5 1984 to January 1 1985 (inclusive): 9.913 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance House Base Rate (published by the Finance Houses Association): 10 per cent from January 1 1985. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rates for sums at seven days' notice 8 per cent. Treasury Bills: Average tender rates of discount 10.1017 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9¾ per cent; one-three months 10 per cent; three-six months 10¼ per cent; six-nine months 10½ per cent; nine-12 months 10½ per cent. Under £100,000 9½ per cent from January. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. January 14)
3 months U.S. dollars

bid 8 1/2	offer 8 5/8

6 months U.S. dollars

bid 8 15/16	offer 9 1/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate
Broker loan rate
Fed funds
Fed funds at intervention

Treasury Bills

Treasury Bonds

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 14, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	11.50
Algeria	Dinar	(A) 5.60
Andorra	French Franc / Spanish Peseta	10.8450 / 195.45
Angola	Kwanza	(OM) 34.08
Antigua	E. Caribbean $	3.051
Greenland	Danish Kroner	12.6650
Grenada	E. Caribbean $	5.001
Guadaloupe	Local Franc	10.8450
Guam	U.S. $	1.1110
Guatemala	Quetzal	1.1110
Guinea	Syli	29.59
Guinea-Bissau	Peso	97.31
Peru	Sol	exc(A) 6,587.40
Philippines	Philippine Peso	20.15
Pitcairn Islands	£ Sterling / New Zealand $	— / 2.5275
Poland	Zloty	155.52

* Rate is the transfer market (controlled). (1) Now one official rate. (2) Based on gross rates against Russian rouble. (3) Essential goods. (4) Preferential rate for priority imports such as foodstuffs. (5) Preferential rate for public sector debt and essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittance of foreign currency by Egyptians working abroad and tourists. (9) Banknote rate. (10) Rate for exports. (11) Rate for imports. (12) Essential imports. (13) Nearly all business transactions.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 14.

OVER-THE-COUNTER

Continued from Page 36

CAPITAL MARKETS

Managers pause for breath on quiet day

BY MAGGIE URRY IN LONDON

EURODOLLAR bond syndicate managers paused at last for breath yesterday, and ooly a couple of new issues appeared. It was, in any case, not a good day to launch deals, with secondary market prices down by ¾ to ½ point.

Merrill Lynch officially launched its $200m 10-year issue for Mitsubishi Corporation, which has a 10⅝ per cent coupon. With large pre-placement of the issue in Japan, the bonds were bid at 98⅝, a discount equal to the 1¼ per cent selling concession.

Sumitomo Finance (Asia) launched a $150m seven-year issue, guaranteed by Sumitomo Bank. Since this does not count as a domestic issue for Japanese investors, the coupon was far higher than Mitsubishi's, at 11⅞ per cent. The poor market meant that sales were slow, and the bonds were bid at a discount equal to the 1⅞ per cent total commissions.

The respite from new issues may not last long, however, and more deals are in the pipeline.

The Eurosterling bond market had a difficult day yesterday, hit by the falling currency and rising interest rates. Bonds were marked down by around 1½ points, with even larger losses in places.

In the D-Mark bond market, Dresdner Bank launched a DM 150m issue for Thyssen, the steel company. This has an eight-year life and a 7½ per cent coupon, with a par issue price. The terms looked realistic, and the bonds traded at around the 1¾ per cent selling concession.

Currency and interest rate worries hit the D-Mark bond market again yesterday, with some dealers quoting price falls of ½ point.

In the Swiss franc foreign bond market, a rare floating rate note private placement appeared for Toyo Information Systems. The issue will raise SwFr 30m, and the notes have a seven-year life. Interest will be paid at ⅛ per cent over the six-month London interbank offered rate for Swiss francs, with a minimum coupon of 2 per cent and no maximum. Citicorp Bank (Switzerland) lead maoaged the deal.

Swiss franc bonds were weaker where changed, but trading was thin.

Expected today is a European Currency Unit Issue for Kredietbank's subsidiary KB-Ifima. The Ecu 75m issue is likely to have a seven-year life and 9⅝ per cent coupon, the low coupon reflecting the strong performance of this sector of the Eurobond market.

BHF Bank bond average		
Jan 14		Previous
102.460		102.518
High	1985	Low
103.042		98.056

Indices

NEW YORK-DOW JONES

	Jan 14	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	1,234.54	1,218.09	1,223.50	1,202.74	1,191.70	1,190.68	1286.64 (6/1)	1086.57 (24/7)	1287.20 (19/11/83)	41.22 (2/7/32)